

# Aspo

## Company report

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This report is a summary translation of the report “Jälki on hurjaa, mutta tuleva huolettaa” published on 11/2/2022 at 10:23 pm

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res.**

# Performance was wild, but future is worrisome

On Wednesday, Aspo published a Q3 result that was stronger than we expected. We have raised our earnings estimates for the next few years, as the report improved visibility of Telko's profitability level adjusted for Russian operations. Moreover, completed acquisitions will increase earnings in the next few years. Although the valuation is low in absolute terms, we are still cautious especially due to the significant uncertainty related to ESL's performance. We reiterate our Reduce recommendation and raise our target price to EUR 9.0 (previously EUR 8.5) reflecting our raised earnings estimates.

## Q3 result exceeded our expectations

Q3 EBIT adjusted for non-recurring costs was EUR 13.0 million at Group level, exceeding our EUR 11.9 million estimate. The result included less non-recurring items than we expected, and their net amount was EUR -0.7 million (estimate - 2.0 MEUR) in Q3. Among the segments, ESL again generated a strong operating profit (EBIT 9.7 MEUR) and the segment's rolling 12-month EBIT increased to nearly EUR 38 million. However, Q3 profitability was slightly below our estimate, which is explained by ESL's contract structure in line with which increased fuel surcharges raises net sales while reducing relative profitability. Telko clearly exceeded our profitability expectations and its adjusted operating result was EUR 3.7 million. For Telko, the key takeaway from the report was that the earnings contribution from activities in Russia and Belarus was close to zero in Q3, so the segment's reported profitability gives a better indication of future performance than before. For Leipurin, the operating result was below our estimates. However, reported EBIT included EUR -0.4 million fair value adjustments of inventories connected to the Kobia acquisition, so adjusted for this, the segment's Q3 was largely in line with our expectations.

## Estimate changes due to acquisitions and improved outlook for Telko and Leipurin

Our earnings estimate for the next few years increased clearly after the Q3 report. This is due to both better than expected operational development for Telko adjusted for Russian operations and the positive impact of Leipurin's acquisition on EBIT starting from Q4'22. In addition, the Group's earnings estimate increases by about EUR 0.5 million for next year thanks to the Kauko divestment, as we had expected the unit to remain loss-making. Even though our earnings estimates have increased considerably, investors should note the exceptionally high uncertainty of the estimates. ESL that generates most of the Group's earnings, is currently performing stellarly but at the same time the impact of the slowing economy on shipping's performance is still a huge question mark. As a whole, our 2022 EBIT estimates increased by about 5% and our EBIT estimates for 2023–2024 by about 9–15%.

## Uncertainty surrounding ESL's performance still burdens the valuation

Aspo's valuation in the coming years is favorable if earnings are in line with our estimates (2022e-2023e P/E 6-9x and EV/EBIT 8-11x) and well below the company's historical levels. Although the Q3 report provided better visibility of Telko's normalized performance, the Group's result still focuses on shipping that is operating at the top of the cycle. Therefore, it is still very challenging to picture Aspo's normal earnings level and the foggy outlook of ESL keeps us cautious, as we do not believe the multiples have any conditions to increase before visibility improves. However, the share's upside is considerable if the earnings level we predict for the company proves sustainable. The value our DCF model indicates for Aspo is around EUR 11 per share, which gives a relatively good picture of the share's potential.

## Recommendation

**Reduce**  
(previous Reduce)

**EUR 9.00**  
(previous EUR 8.50)

**Share price:**  
8.36



## Key figures

	2021	2022e	2023e	2024e
<b>Revenue</b>	573	630	587	639
<b>growth-%</b>	14%	10%	-7%	9%
<b>EBIT adj.</b>	42.4	54.4	40.8	43.3
<b>EBIT-% adj.</b>	7.4 %	8.6 %	7.0 %	6.8 %
<b>Net Income</b>	25.3	19.9	31.8	33.6
<b>EPS (adj.)</b>	1.02	1.33	0.93	0.99

<b>P/E (adj.)</b>	11.1	6.3	9.0	8.5
<b>P/B</b>	2.8	1.7	1.5	1.4
<b>Dividend yield-%</b>	4.0 %	5.5 %	5.6 %	5.7 %
<b>EV/EBIT (adj.)</b>	12.8	8.3	10.9	10.7
<b>EV/EBITDA</b>	8.6	7.2	6.0	5.8
<b>EV/S</b>	0.9	0.7	0.8	0.7

Source: Inderes

## Guidance

(Unchanged)

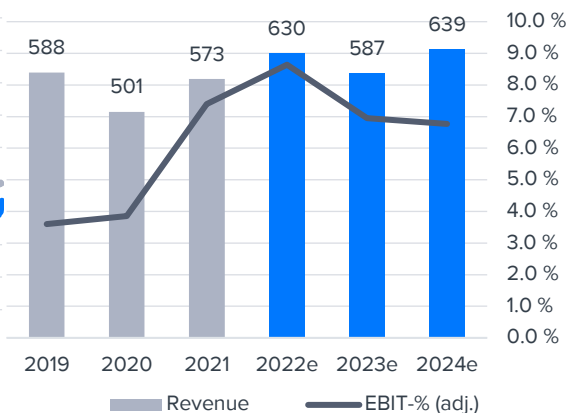
Aspo Group's comparable operating profit will be EUR 52–57 (EUR 42.4) million in 2022.

## Share price



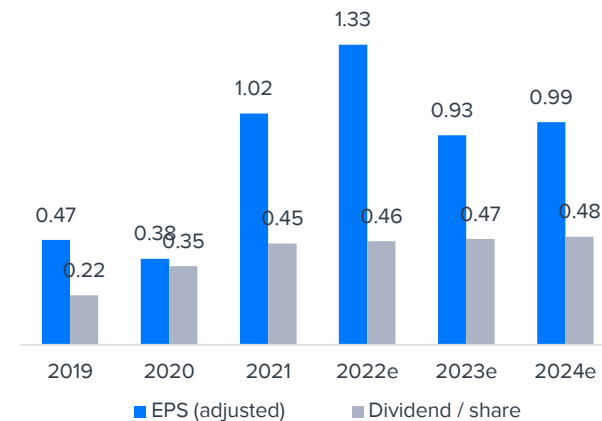
Source: Millistream Market Data AB

## Revenue and EBIT %



Source: Inderes

## EPS and dividend



Source: Inderes



## Value drivers

- ESL growing and earnings improvement through new ships
- Continuation of Telko's profitable growth
- Progress of Leipurin's turnaround
- M&A transactions



## Risk factors

- Cyclicity of the freight market
- A lot of debt in absolute terms
- Leipurin's performance without the Eastern market

Valuation	2022e	2023e	2024e
Share price	8.36	8.36	8.36
Number of shares, millions	31.4	31.4	31.4
Market cap	263	263	263
EV	452	446	462
P/E (adj.)	6.3	9.0	8.5
P/E	14.8	9.0	8.5
P/FCF	76.6	10.0	47.1
P/B	1.7	1.5	1.4
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.8	0.7
EV/EBITDA	7.2	6.0	5.8
EV/EBIT (adj.)	8.3	10.9	10.7
Payout ratio (%)	81.2 %	50.6 %	48.6 %
Dividend yield-%	5.5 %	5.6 %	5.7 %

Lähde: Inderes

# Q3 result overshoot contributed especially to Telko's strong development

On Wednesday, Aspo published a Q3 result that was stronger than we expected. EBIT adjusted for non-recurring costs was EUR 13.0 million at Group level, exceeding our EUR 11.9 million estimate. The overshoot was especially contributed to Telko, whose profitability of continuing operations developed clearly better than we expected.

## ESL Shipping's development was strong as expected

ESL again generated a strong result contributing to the majority of the Group's EBIT. ESL's Q3 net sales were well above our expectations, but as the EBIT margin was below our estimate, the segment's EBIT was slightly below expectations (9.7 MEUR vs. 10.1 MEUR estimate). This is partly explained by ESL's contract structure in line with which increased fuel surcharges raises net sales while reducing relative profitability. However, the segment's Q3 result was excellent and clearly higher than the company's historical levels. Based on the company's comments, the demand outlook is, however, slowing down and spot prices have already decreased. However, ESL's contract

traffic will ensure a good workload even in a more unstable market.

## Telko offered the biggest earnings surprise in Q3

Telko, in turn, exceeded our profitability expectation clearly as its EBIT adjusted for non-recurring items was EUR 3.7 million, while we expected EUR 1.7 million. The segment's costs are virtually variable, so net sales growth flows into the lower lines to the tune of the gross margin. Thus, both net sales and margins were higher than we expected in Q3. The segment recorded a positive non-recurring item of EUR 0.5 million related to a decrease of the credit loss provision in Ukraine. For Telko, the key takeaway from the report was that the earnings contribution from activities in Russia and Belarus was close to zero in Q3, so the segment's reported profitability gives a better indication of future performance than before.

## Leipurin's profitability still modest

For Leipurin, the quarter offered a slight disappointment as the reported EBIT fell EUR 0.5 million into red (0.0 estimate). However, EBIT included EUR -0.4 million fair

value adjustments of inventories connected to the Kobia acquisition, so adjusted for this, the segment's Q3 was largely in line with our expectations.

The Q3 report also provided additional information about Kobia's pricing, as the company said the purchase price was EUR 15.6 million. We find the arrangement advantageous for Aspo, because we believe that the performance of the acquisition target is good and there is plenty of synergy potential. In addition, the company announced its intention to implement a sale and leaseback arrangement, which would free capital for acquisitions in line with the growth strategy (Kobia has some 13 MEUR in fixed assets of which most is real estate). Therefore, we are positive about the transaction and it should have good preconditions to create shareholder value.

Group expenses were clearly lower than we expected in Q3, which supported profitability development. The tax rate was higher than expected since Telko's earnings contribution was higher than estimated (only ESL's result is tax efficient).

Estimates MEUR / EUR	Q3'21	Q3'22	Q3'22e	Q3'22e	Consensus		Difference (%)	2022e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	145	158	143				11%	630
EBIT (adj.)	11.2	13.0	11.9				10%	54.4
EBIT	7.8	12.5	9.9				27%	30.4
EPS (adj.)	0.27	0.31	0.31				-1%	1.33
EPS (reported)	0.17	0.30	0.25				20%	0.57
Revenue growth-%	22.1%	9.1%	-1.4%				10.5 pp	9.8%
EBIT-% (adj.)	7.7%	8.2%	8.3%				-0.1pp	8.6%

Source: Inderes

# Estimate changes

## ESL's sustainable earnings level is still a mystery

For ESL Shipping, we have slightly lowered our 2022 EBIT estimate reflecting the increased uncertainty. Otherwise our estimates for the segment remain unchanged. We stress that it is still highly challenging to gauge ESL's sustainable earnings level as the cycle is exceptionally favorable for the company. Even though our current 2023–2024 earnings estimates for ESL expect EBIT to decrease from 2022 levels, the profitability we expect is still very high compared to the segment's history.

## Visibility into Telko's earnings level has increased

Visibility into Telko's operations adjusted for Russia and Belarus improved markedly with Aspo's Q3 report, when the company reported that the earnings contribution of the above areas was close to zero. As a result, we raised our 2023 EBIT estimate for Telko by about EUR 2 million. Our longer-term profitability

assumptions remain almost unchanged. We have also added the Johan Steenks acquisition to our estimates, but the impact of this is quite small considering the size of the segment (~2% of 2023 net sales).

In addition, [the Kauko divestment](#) has a positive effect of around EUR 0.5 million on our 2023 earnings estimates as the business has mainly been loss-making in recent years (reported as discontinued operation since 2021).

## Kobia acquisition offers support to Leipurin's profitability improvement

Our earnings estimate for Leipurin have increased as we include Kobia figures from Q4'23. Initially we estimate that Kobia's net sales will remain at the 2021 level of EUR 50 million and that the transferred EBIT is about EUR 2 million. In terms of the acquisition, we consider it possible that in addition to the current

earnings level, Aspo could get synergy benefits from Kobia as part of the Leipurin segment. However, our estimates in this respect are very cautious and we will first wait for proof of potential realization. After the Q3 report, we have also slightly raised our expectations of the normal EBIT level of Leipurin's current business, as Russian net sales is removed from our estimates starting from 2023.

In the Q3 result release, Aspo's management stated its intention to implement a sale and leaseback arrangement in Kobia with which it can release capital to support its acquisition strategy. Based on management comments, we also consider it possible that real estate arrangements may have a positive impact on the result for the financial year. We have, however, not included this in our estimates due to its highly uncertain nature.

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	602	630	5%	534	587	10%	583	639	10%
EBITDA	59.6	63.0	6%	65.3	73.9	13%	73.0	79.4	9%
EBIT (excl. NRIs)	54.3	54.4	0%	35.3	40.8	15%	39.6	43.3	9%
EBIT	29.0	30.4	5%	35.3	40.8	15%	39.6	43.3	9%
PTP	22.1	22.4	1%	29.8	34.6	16%	33.3	36.3	9%
EPS (excl. NRIs)	1.37	1.33	-3%	0.80	0.93	16%	0.90	0.99	10%
DPS	0.46	0.46	0%	0.47	0.47	0%	0.48	0.48	0%

Source: Inderes

Watch the earnings call from the link below:



# Estimate changes at segment level

Estimate revisions MEUR / EUR	2022e			2023e			2024e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
<b>Revenue</b>	<b>602</b>	<b>630</b>	<b>5 %</b>	<b>534</b>	<b>587</b>	<b>10 %</b>	<b>583</b>	<b>639</b>	<b>10 %</b>
ESL	237	243	2 %	226	226	0 %	256	256	0 %
Leipurin	106	123	16 %	85,0	132	56 %	86,8	137	57 %
Telko	259	263	2 %	223	228	2 %	241	246	2 %
<b>EITDA</b>	<b>59,6</b>	<b>63,0</b>	<b>6 %</b>	<b>65,3</b>	<b>73,9</b>	<b>13 %</b>	<b>73,0</b>	<b>79,4</b>	<b>9 %</b>
<b>EBIT excl. NRIs</b>	<b>54,3</b>	<b>54,4</b>	<b>0 %</b>	<b>35,3</b>	<b>40,8</b>	<b>15 %</b>	<b>39,6</b>	<b>43,3</b>	<b>9 %</b>
<b>EBIT</b>	<b>29,0</b>	<b>30,4</b>	<b>5 %</b>	<b>35,3</b>	<b>40,8</b>	<b>15 %</b>	<b>39,6</b>	<b>43,3</b>	<b>9 %</b>
ESL	39,3	38,0	-3 %	30,4	30,5	0 %	30,7	30,8	0 %
Leipurin	-2,0	-2,5	25 %	1,6	4,7	202 %	2,2	5,5	152 %
Telko	6,0	8,5	41 %	10,3	12,1	17 %	13,2	13,5	2 %
Group expenses	-12,7	-11,8	-7 %	-6,5	-6,5	0 %	-6,5	-6,5	0 %
<b>PTP</b>	<b>22,1</b>	<b>22,4</b>	<b>1 %</b>	<b>29,8</b>	<b>34,6</b>	<b>16 %</b>	<b>33,3</b>	<b>36,3</b>	<b>9 %</b>
<b>EPS (adjusted)</b>	<b>1,37</b>	<b>1,33</b>	<b>-3 %</b>	<b>0,80</b>	<b>0,93</b>	<b>16 %</b>	<b>0,90</b>	<b>0,99</b>	<b>10 %</b>
Dividend / share	0,46	0,46	0 %	0,47	0,47	0 %	0,48	0,48	0 %

Source: Inderes

# Deteriorating macro-outlook depresses valuation

Aspo's valuation picture is currently exceptionally difficult. When outlining the valuation it is important to note that the required return of Aspo and other companies operating in Russia have increased significantly (exits still ongoing).

Previously, the remaining risk of Russian operations has culminated in assessing the normal performance of Telko and Leipurin after the exit. Thus, the Q3 report offered increased visibility into Telko's normalized performance, which contributes to reducing the exceptionally high uncertainty associated with the company's estimates. At the same time, however, ESL's exceptionally favorable cycle combined with the weakening demand outlook keeps us cautious.

With our updated estimates, Aspo's valuation level remains very low in absolute terms. With forward-looking 2022e and 2023e adjusted figures, P/E ratios are 6-9x, which is cheap in absolute terms and clearly below the company's historical levels. The EV/EBIT ratios that consider Aspo's significant debt load are approximately 8-11x. This level is not particularly demanding, especially considering ESL's tax efficiency (tonnage tax). It is clear, however, that Aspo's valuation level has at least made a temporary downward level adjustment, while there is still abundant uncertainty about the normal performance.

Aspo's result still clearly relies on the shipping business in our estimates which is now likely to operate at the top of the cycle, and we cannot accept substantially higher multiples than currently for Aspo from this viewpoint either. The shipping companies in our peer group are for 2022-2023 priced at P/E ratios of 3-4x, reflecting market expectations of the peak of the cycle. In this comparison, investors should note that ESL earns higher multiples than the average peer,

as 77 % of ESL's 2021 transport was under long contracts (source Aspo CMD 2021). Long contract periods mean that ESL's result is not as cyclical as for shipping companies operating purely on the spot markets. However, peer group pricing supports our view that ESL's acceptable multiples are not substantially higher than Aspo's current multiples.

## The current situation requires precision from investors

In the current uncertain environment, we find it difficult to see that there is much room for multiples to rise from the current level without visibility into the company's normal performance improving. It is important for investors to keep their eyes open on Aspo, as when the situation in the East becomes clearer (exit from the rest of the businesses) and the performance level is confirmed, there may be considerable upside in the share. Our DCF model indicates a value of around EUR 11 per share for Aspo (previously EUR 10), which gives a relatively good indication of the company's potential.

## First steps of the new strategy have been taken

The progress of Aspo's strategy based on the serial consolidator model could support valuation, but this requires successful acquisitions in the West. Although the current crisis has slowed promotion of the new strategy, based on comments by the management, the company has been able to channel surprisingly many resources to implement the new strategy. Leipurin's Kobia acquisition was Aspo's first bigger acquisition under new management and in addition, in September, Telko acquired a small distributor of plastic additives from Norway. However, the company still has a lot to prove in terms of the serial consolidator strategy.

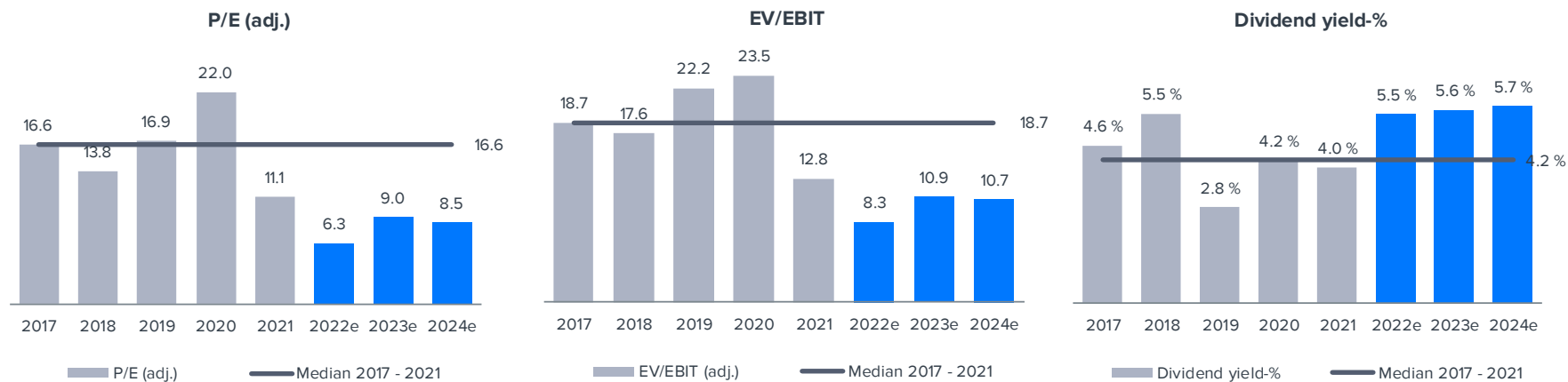
Valuation	2022e	2023e	2024e
Share price	8.36	8.36	8.36
Number of shares, millions	31.4	31.4	31.4
Market cap	263	263	263
EV	452	446	462
P/E (adj.)	6.3	9.0	8.5
P/E	14.8	9.0	8.5
P/FCF	76.6	10.0	47.1
P/B	1.7	1.5	1.4
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.8	0.7
EV/EBITDA	7.2	6.0	5.8
EV/EBIT (adj.)	8.3	10.9	10.7
Payout ratio (%)	81.2 %	50.6 %	48.6 %
Dividend yield-%	5.5 %	5.6 %	5.7 %

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# Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	9.36	7.96	7.86	8.40	11.4	<b>8.36</b>	<b>8.36</b>	<b>8.36</b>	<b>8.36</b>
Number of shares, millions	31.0	31.4	31.4	31.4	31.4	<b>31.4</b>	<b>31.4</b>	<b>31.4</b>	<b>31.4</b>
Market cap	290	250	247	264	357	<b>263</b>	<b>263</b>	<b>263</b>	<b>263</b>
EV	432	463	470	454	544	<b>452</b>	<b>446</b>	<b>462</b>	<b>440</b>
P/E (adj.)	16.6	13.8	16.9	22.0	11.1	<b>6.3</b>	<b>9.0</b>	<b>8.5</b>	<b>7.4</b>
P/E	16.6	20.1	16.9	22.0	15.1	<b>14.8</b>	<b>9.0</b>	<b>8.5</b>	<b>7.4</b>
P/FCF	30.4	neg.	6.2	5.0	33.0	<b>76.6</b>	<b>10.0</b>	<b>47.1</b>	<b>6.0</b>
P/B	2.6	2.1	2.0	2.3	2.8	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>1.5</b>
P/S	0.6	0.5	0.4	0.5	0.6	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
EV/Sales	0.9	0.9	0.8	0.9	0.9	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>
EV/EBITDA	11.8	12.0	9.4	9.2	8.6	<b>7.2</b>	<b>6.0</b>	<b>5.8</b>	<b>5.0</b>
EV/EBIT (adj.)	18.7	17.6	22.2	23.5	12.8	<b>8.3</b>	<b>10.9</b>	<b>10.7</b>	<b>9.3</b>
Payout ratio (%)	76.1%	110.9%	47.3%	91.7%	59.7%	<b>81.2%</b>	<b>50.6%</b>	<b>48.6%</b>	<b>50.0%</b>
Dividend yield-%	4.6%	5.5%	2.8%	4.2%	4.0%	<b>5.5%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>6.8%</b>

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# Peer group valuation

Peer group valuation Company	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Indutrade AB	6628	7296	21.8	22.6	16.7	16.8	3.0	2.9	25.7	27.0	1.3	1.5	6.0
Boreo Oyj	104	139	23.3	15.5	14.0	10.0	0.9	0.9	65.6	15.2	1.3	1.4	2.6
Relais Group Oyj	181	283	23.5	16.8	9.9	8.9	1.1	1.1	14.4	10.6	3.7	4.0	2.1
Duell Oyj	48	86	12.3	11.5	9.1	8.2	0.7	0.7	15.8	9.5	2.1	3.2	1.5
Trelleborg AB	6062	7141	13.8	15.4	12.6	12.9	2.4	2.4	11.7	15.8	2.6	2.6	1.8
Lifco AB (publ)	6248	6923	19.5	22.0	15.5	17.0	3.5	3.6	26.2	29.6	1.2	1.1	5.7
Orkla ASA	6746	8492	11.4	12.0	8.9	9.2	1.5	1.5	12.3	12.4	4.5	4.7	1.6
Safe Bulkers Inc	323	624	3.4	3.5	2.7	2.6	1.8	1.8	2.1	2.3			262.0
Golden Ocean Group Ltd	1752	2911	5.9	7.0	4.9	6.0	3.4	3.8	3.9	5.5	20.6	15.8	0.9
Brenntag SE	9520	12134	8.2	9.1	6.6	7.2	0.7	0.7	9.8	10.7	2.9	3.2	2.1
<b>Aspo (Inderes)</b>	<b>263</b>	<b>452</b>	<b>8.3</b>	<b>10.9</b>	<b>7.2</b>	<b>6.0</b>	<b>0.7</b>	<b>0.8</b>	<b>6.3</b>	<b>9.0</b>	<b>5.5</b>	<b>5.6</b>	<b>1.7</b>
<b>Average</b>			<b>14.3</b>	<b>13.5</b>	<b>10.1</b>	<b>9.9</b>	<b>1.9</b>	<b>1.9</b>	<b>18.8</b>	<b>13.9</b>	<b>4.5</b>	<b>4.2</b>	<b>28.6</b>
<b>Median</b>			<b>13.0</b>	<b>13.7</b>	<b>9.5</b>	<b>9.0</b>	<b>1.7</b>	<b>1.6</b>	<b>13.3</b>	<b>11.5</b>	<b>2.6</b>	<b>3.2</b>	<b>2.1</b>
<b>Diff-% to median</b>			<b>-36%</b>	<b>-20%</b>	<b>-24%</b>	<b>-33%</b>	<b>-57%</b>	<b>-53%</b>	<b>-53%</b>	<b>-22%</b>	<b>116%</b>	<b>78%</b>	<b>-22%</b>

Source: Refinitiv / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

# Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue</b>	<b>501</b>	<b>129</b>	<b>139</b>	<b>145</b>	<b>160</b>	<b>573</b>	<b>160</b>	<b>161</b>	<b>158</b>	<b>150</b>	<b>630</b>	<b>587</b>	<b>639</b>	<b>670</b>
ESL	148	43.4	46.0	47.3	54.7	191	56.8	60.3	65.0	61.3	243	226	256	264
Leipurin	101	27.9	25.8	27.7	31.7	113	27.7	29.3	32.3	33.5	123	132	137	141
Telko	251	58.0	67.6	69.6	73.6	269	75.9	71.8	60.5	55.2	263	228	246	266
Group expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>49.4</b>	<b>15.1</b>	<b>16.8</b>	<b>15.1</b>	<b>16.1</b>	<b>63.1</b>	<b>18.2</b>	<b>21.0</b>	<b>21.8</b>	<b>2.0</b>	<b>63.0</b>	<b>73.9</b>	<b>79.4</b>	<b>87.8</b>
Depreciation	-30.1	-7.3	-7.3	-7.3	-7.3	-29.2	-8.1	-7.5	-9.5	-7.5	-32.6	-33.1	-36.2	-40.3
<b>EBIT (excl. NRI)</b>	<b>19.3</b>	<b>7.8</b>	<b>9.5</b>	<b>11.2</b>	<b>13.9</b>	<b>42.4</b>	<b>15.0</b>	<b>15.9</b>	<b>13.0</b>	<b>10.5</b>	<b>54.4</b>	<b>40.8</b>	<b>43.3</b>	<b>47.6</b>
<b>EBIT</b>	<b>19.3</b>	<b>7.8</b>	<b>9.5</b>	<b>7.8</b>	<b>8.8</b>	<b>33.9</b>	<b>10.1</b>	<b>13.5</b>	<b>12.3</b>	<b>-5.5</b>	<b>30.4</b>	<b>40.8</b>	<b>43.3</b>	<b>47.6</b>
ESL	7.6	4.5	5.4	7.1	9.8	26.8	9.2	9.0	9.7	10.1	38.0	30.5	30.8	33.0
Leipurin	1.4	0.3	0.3	0.6	-3.6	-2.4	-0.4	0.4	-0.5	-2.0	-2.5	4.7	5.5	5.6
Telko	14.9	4.5	5.6	5.8	4.4	20.3	4.0	6.8	4.2	-6.5	8.5	12.1	13.5	15.9
Group expenses	-4.6	-1.5	-1.7	-2.7	-1.9	-7.8	-2.5	-1.4	-0.9	-7.0	-11.8	-6.5	-6.5	-7.0
Net financial items	-4.5	-0.9	-1.0	-1.0	-1.0	-3.9	-1.8	-3.1	-2.1	-1.0	-8.0	-6.2	-6.9	-7.4
<b>PTP</b>	<b>14.8</b>	<b>6.9</b>	<b>8.5</b>	<b>6.8</b>	<b>7.8</b>	<b>30.0</b>	<b>8.3</b>	<b>10.4</b>	<b>10.2</b>	<b>-6.5</b>	<b>22.4</b>	<b>34.6</b>	<b>36.3</b>	<b>40.1</b>
Taxes	-1.4	-0.6	-0.8	-1.2	-2.1	-4.7	-1.3	-0.7	-0.8	0.3	-2.5	-2.8	-2.7	-3.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net earnings</b>	<b>13.4</b>	<b>6.3</b>	<b>7.7</b>	<b>5.6</b>	<b>5.7</b>	<b>25.3</b>	<b>7.0</b>	<b>9.7</b>	<b>9.4</b>	<b>-6.2</b>	<b>19.9</b>	<b>31.8</b>	<b>33.6</b>	<b>36.9</b>
<b>EPS (adj.)</b>	<b>0.38</b>	<b>0.19</b>	<b>0.23</b>	<b>0.27</b>	<b>0.33</b>	<b>1.02</b>	<b>0.37</b>	<b>0.37</b>	<b>0.30</b>	<b>0.29</b>	<b>1.33</b>	<b>0.93</b>	<b>0.99</b>	<b>1.13</b>
<b>EPS (rep.)</b>	<b>0.38</b>	<b>0.19</b>	<b>0.23</b>	<b>0.17</b>	<b>0.17</b>	<b>0.75</b>	<b>0.21</b>	<b>0.30</b>	<b>0.28</b>	<b>-0.22</b>	<b>0.57</b>	<b>0.93</b>	<b>0.99</b>	<b>1.13</b>

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22e	2022e	2023e	2024e	2025e
<b>Revenue growth-%</b>	-14.8 %	-2.9 %	20.6 %	22.1 %	19.8 %	14.5 %	24.1 %	15.8 %	9.1 %	-6.3 %	9.8 %	-6.8 %	8.9 %	4.9 %
<b>Adjusted EBIT growth-%</b>	-8.7 %	95.0 %	131.7 %	211.1 %	82.9 %	119.7 %	92.3 %	67.4 %	16.1 %	-24.4 %	28.3 %	-25.0 %	6.0 %	10.0 %
<b>EBITDA-%</b>	9.9 %	11.7 %	12.1 %	10.4 %	10.1 %	11.0 %	11.3 %	13.0 %	13.8 %	1.3 %	10.0 %	12.6 %	12.4 %	13.1 %
<b>Adjusted EBIT-%</b>	3.9 %	6.0 %	6.8 %	7.7 %	8.7 %	7.4 %	9.4 %	9.9 %	8.2 %	7.0 %	8.6 %	7.0 %	6.8 %	7.1 %
<b>Net earnings-%</b>	2.4 %	4.6 %	5.2 %	3.6 %	3.3 %	4.1 %	4.1 %	5.8 %	5.5 %	-4.6 %	2.8 %	5.0 %	4.9 %	5.3 %

Source: Inderes

# Balance sheet

Assets	2020	2021	2022e	2023e	2024e
<b>Non-current assets</b>	<b>246</b>	<b>237</b>	<b>252</b>	<b>271</b>	<b>297</b>
Goodwill	43.3	34.2	34.2	34.2	34.2
Intangible assets	11.9	11.7	14.5	13.5	12.7
Tangible assets	189	190	201	221	249
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	1.0	0.7	0.7	0.7	0.7
Other non-current assets	0.8	1.0	1.0	1.0	1.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>138</b>	<b>169</b>	<b>195</b>	<b>176</b>	<b>192</b>
Inventories	42.4	68.6	75.5	64.5	70.3
Other current assets	0.0	8.4	0.0	0.0	0.0
Receivables	63.2	74.4	81.8	76.2	83.1
Cash and equivalents	32.3	17.7	37.8	35.2	38.3
<b>Balance sheet total</b>	<b>384</b>	<b>406</b>	<b>447</b>	<b>447</b>	<b>489</b>

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
<b>Equity</b>	<b>114</b>	<b>129</b>	<b>159</b>	<b>173</b>	<b>190</b>
Share capital	22.0	22.0	17.7	17.7	17.7
Retained earnings	71.5	87.4	111	126	142
Hybrid bonds	20.0	20.0	30.0	30.0	30.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>161</b>	<b>155</b>	<b>164</b>	<b>157</b>	<b>172</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	156	149	158	151	166
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4.5	5.7	5.7	5.7	5.7
<b>Current liabilities</b>	<b>110</b>	<b>122</b>	<b>124</b>	<b>117</b>	<b>128</b>
Short term debt	45.9	35.8	39.5	37.7	41.5
Payables	63.9	79.3	85.0	79.2	86.2
Other current liabilities	0.0	6.8	0.0	0.0	0.0
<b>Balance sheet total</b>	<b>384</b>	<b>406</b>	<b>447</b>	<b>447</b>	<b>489</b>

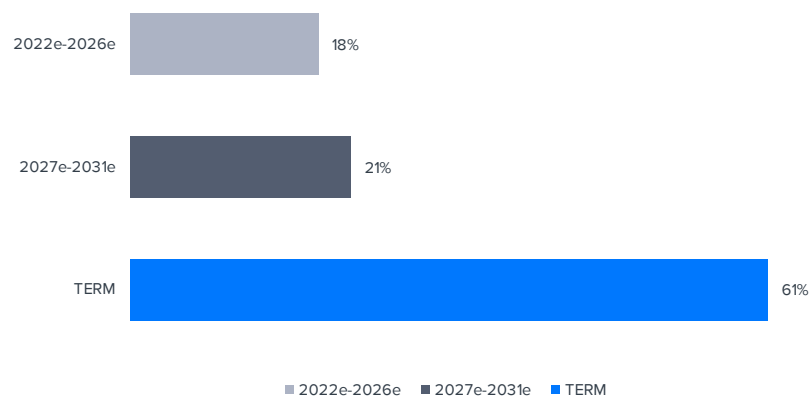
# DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
Revenue growth-%	14.5 %	9.8 %	-6.8 %	8.9 %	4.9 %	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	5.9 %	4.8 %	7.0 %	6.8 %	7.1 %	6.5 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %
<b>EBIT (operating profit)</b>	<b>33.9</b>	<b>30.4</b>	<b>40.8</b>	<b>43.3</b>	<b>47.6</b>	<b>45.3</b>	<b>43.1</b>	<b>44.4</b>	<b>45.7</b>	<b>47.1</b>	<b>48.0</b>	
+ Depreciation	29.2	32.6	33.1	36.2	40.3	39.6	39.2	39.0	39.0	39.2	39.3	
- Paid taxes	-4.7	-2.5	-2.8	-2.7	-3.2	-3.0	-2.9	-3.0	-3.2	-3.3	-3.4	
- Tax, financial expenses	-0.4	-0.9	-0.5	-0.5	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.4	
+ 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	-23.6	-7.1	10.8	-5.5	-3.3	-2.8	-2.2	-2.3	-2.3	-2.4	-1.6	
<b>Operating cash flow</b>	<b>34.4</b>	<b>52.5</b>	<b>81.4</b>	<b>70.7</b>	<b>80.7</b>	<b>78.5</b>	<b>76.7</b>	<b>77.6</b>	<b>78.8</b>	<b>80.1</b>	<b>81.9</b>	
+ Change in other long-term liabilities	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-20.2	-47.0	-52.5	-62.5	-36.0	-37.0	-38.0	-39.0	-40.0	-40.0	-42.0	
<b>Free operating cash flow</b>	<b>15.4</b>	<b>5.6</b>	<b>28.9</b>	<b>8.2</b>	<b>44.7</b>	<b>41.5</b>	<b>38.7</b>	<b>38.6</b>	<b>38.8</b>	<b>40.1</b>	<b>39.8</b>	
+/- Other	-4.6	-2.1	-2.6	-2.6	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	10.8	3.4	26.3	5.6	43.4	41.5	38.7	38.6	38.8	40.1	39.8	665
<b>Discounted FCFF</b>		<b>3.4</b>	<b>24.0</b>	<b>4.7</b>	<b>33.9</b>	<b>30.0</b>	<b>25.9</b>	<b>23.9</b>	<b>22.2</b>	<b>21.2</b>	<b>19.5</b>	<b>326</b>
Sum of FCFF present value		535	531	507	503	469	439	413	389	367	346	326
<b>Enterprise value DCF</b>		<b>535</b>										
- Interesting bearing debt		-185.1										
+ Cash and cash equivalents		17.7										
- Minorities		0.0										
- Dividend/capital return		-14.1										
<b>Equity value DCF</b>		<b>353</b>										
<b>Equity value DCF per share</b>		<b>11.2</b>										

Wacc	
Tax-% (WACC)	10.0 %
Target debt ratio (D/(D+E))	30.0 %
Cost of debt	3.5 %
Equity Beta	1.10
Market risk premium	4.75 %
Liquidity premium	2.50 %
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>10.2 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.1 %</b>

Source: Inderes

Cash flow distribution



# Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	587.7	500.7	573.3	<b>629.6</b>	<b>586.5</b>	EPS (reported)	0.47	0.38	0.75	<b>0.57</b>	<b>0.93</b>
EBITDA	49.7	49.4	63.1	<b>63.0</b>	<b>73.9</b>	EPS (adj.)	0.47	0.38	1.02	<b>1.33</b>	<b>0.93</b>
EBIT	21.1	19.3	33.9	<b>30.4</b>	<b>40.8</b>	OCF / share	1.60	2.41	1.10	<b>1.67</b>	<b>2.59</b>
PTP	18.2	14.8	30.0	<b>22.4</b>	<b>34.6</b>	FCF / share	1.27	1.68	0.34	<b>0.11</b>	<b>0.84</b>
Net Income	14.6	12.0	20.7	<b>17.8</b>	<b>29.2</b>	Book value / share	3.88	3.61	4.12	<b>5.05</b>	<b>5.52</b>
Extraordinary items	0.0	0.0	-8.5	<b>-24.0</b>	<b>0.0</b>	Dividend / share	0.22	0.35	0.45	<b>0.46</b>	<b>0.47</b>
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	409.9	384.1	406.3	<b>446.7</b>	<b>446.9</b>	Revenue growth-%	9%	-15%	14%	<b>10%</b>	<b>-7%</b>
Equity capital	122.0	113.5	129.4	<b>158.7</b>	<b>173.5</b>	EBITDA growth-%	29%	-1%	28%	<b>0%</b>	<b>17%</b>
Goodwill	43.3	43.3	34.2	<b>34.2</b>	<b>34.2</b>	EBIT (adj.) growth-%	-20%	-9%	120%	<b>28%</b>	<b>-25%</b>
Nettovelat*	223.0	189.9	187.4	<b>189.5</b>	<b>183.3</b>	EPS (adj.) growth-%	-20%	-18%	168%	<b>30%</b>	<b>-30%</b>
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	8.5 %	9.9 %	11.0 %	<b>10.0 %</b>	<b>12.6 %</b>
EBITDA	49.7	49.4	63.1	<b>63.0</b>	<b>73.9</b>	EBIT (adj.)-%	3.6 %	3.9 %	7.4 %	<b>8.6 %</b>	<b>7.0 %</b>
Change in working capital	2.8	28.3	-23.6	<b>-7.1</b>	<b>10.8</b>	EBIT-%	3.6 %	3.9 %	5.9 %	<b>4.8 %</b>	<b>7.0 %</b>
Operating cash flow	50.1	75.9	34.4	<b>52.5</b>	<b>81.4</b>	ROE-%	12.3 %	10.2 %	19.5 %	<b>12.4 %</b>	<b>17.6 %</b>
CAPEX	-52.2	-21.4	-20.2	<b>-47.0</b>	<b>-52.5</b>	ROI-%	6.3 %	5.9 %	10.8 %	<b>9.1 %</b>	<b>11.4 %</b>
Free cash flow	39.8	52.7	10.8	<b>3.4</b>	<b>26.3</b>	Equity ratio	29.8 %	29.5 %	31.8 %	<b>35.5 %</b>	<b>38.8 %</b>
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	162.3 %	149.7 %	129.4 %	<b>100.5 %</b>	<b>88.4 %</b>
EV/S	0.8	0.9	0.9	<b>0.7</b>	<b>0.8</b>						
EV/EBITDA (adj.)	9.4	9.2	8.6	<b>7.2</b>	<b>6.0</b>						
EV/EBIT (adj.)	22.2	23.5	12.8	<b>8.3</b>	<b>10.9</b>						
P/E (adj.)	16.9	22.0	11.1	<b>6.3</b>	<b>9.0</b>						
P/B	2.0	2.3	2.8	<b>1.7</b>	<b>1.5</b>						
Dividend-%	2.8 %	4.2 %	4.0 %	<b>5.5 %</b>	<b>5.6 %</b>						

Inderes: \*huomioi hybridin

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
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 price	Share price
14-02-20	Reduce	7.50 €	8.44 €
13-03-20	Accumulate	6.50 €	6.12 €
07-04-20	Reduce	6.50 €	6.56 €
09-04-20	Reduce	6.00 €	6.22 €
06-05-20	Reduce	6.00 €	6.06 €
13-08-20	Reduce	6.00 €	5.94 €
15-09-20	Accumulate	6.50 €	6.04 €
30-10-20	Accumulate	7.00 €	6.02 €
02-12-20	Accumulate	7.50 €	7.06 €
09-12-20	Accumulate	8.50 €	7.90 €
12-02-21	Accumulate	9.50 €	9.08 €
08-04-21	Accumulate	9.50 €	9.18 €
06-05-21	Accumulate	10.00 €	9.45 €
05-08-21	Buy	12.00 €	10.40 €
12-08-21	Accumulate	12.50 €	11.32 €
22-09-21	Buy	12.50 €	10.26 €
28-10-21	Accumulate	14.00 €	13.04 €
02-12-21	Buy	13.00 €	10.78 €
17-02-22	Buy	13.00 €	10.34 €
28-02-22	Reduce	9.00 €	8.99 €
14-03-22	Reduce	7.50 €	7.10 €
05-04-22	Reduce	7.50 €	7.50 €
05-05-22	Reduce	7.50 €	7.23 €
15-06-22	Reduce	8.00 €	7.83 €
11-08-22	Reduce	8.50 €	8.40 €
18-10-22	Reduce	8.50 €	7.88 €
03-11-22	Reduce	9.00 €	8.36 €



Inderes' mission is to connect listed companies and investors. We produce high-quality research and content for the needs of our extensive investor community.

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to everyone.**