Purmo Group

Extensive report

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Inderes corporate customer

This report is a summary translation of the report “Tehostamalla ja kasvulla tulosparannusta” published on 4/5/2023 at 6:55 am

Earnings improve with efficiency measures and growth

We expect market weakness to push Purmo's result slightly downwards this year. We believe that the efficiency program, market turning to growth and growth, especially, in the Solutions division, will support clear earnings growth in 2024-25. The recent hybrid bond resulted in a decrease of over 10% in our per share estimates for the next few years. Purmo's valuation is moderate and we still find the expected return to be sufficient. We reiterate our Accumulate recommendation and EUR 9.50 target price.

Purmo is one of Europe's leading indoor climate solution companies

Purmo is one of Europe's leaders among indoor climate comfort system providers. Purmo has historically been a radiator company that has consolidated the market and began to expand to other indoor climate products and solutions about 10 years ago. The company manufactures the majority of its products itself and distributes them mainly (70% of net sales) through wholesalers, but is increasingly seeking more direct distribution. Last year, the company's net sales and adjusted EBITDA were roughly divided in half between radiators and indoor climate solutions. The company is now divided into Climate Products & Systems (CPS) and Climate Solutions divisions. This division highlights the company's focus on comprehensive indoor climate systems (Solutions). Their share of Purmo's net sales is still a clear minority (about 20%), but the margin is higher.

Value creation through efficiency and growth – we expect the company's margin will be below the target

Purmo's value creation in the next few years is expected to take place in two ways. Firstly, through its efficiency program, it aims to improve EBITDA by EUR 40 million, the full effect of which will be visible in 2025. Efficiency improvement mainly concerns the CPS division and especially radiators, where a significant volume decrease weakened profitability last year. Secondly, it aims to grow in the Solutions division, where profitability was already well above CPS last year, and thus the growth supports the company's margin. We believe that the company will be able to improve its results in both ways in the coming years, although we do not believe that the benefits of the efficiency program will be fully reflected in the result. The growth is supported, e.g., by the need for energy renovations in buildings. Purmo's financial objective is an EBITDA margin of more than 15%. Our estimates are far from this, about 12%, because we do not believe that the radiator business will reach 15% profitability and at best the margin has been 12-13%. For 2023, the company guidance is that adjusted EBITDA will be at last year's level (+/- 5%). Our estimate is at the bottom end of the guidance range. We added the hybrid bond to our estimates, which decreased EPS by over 10% in 2023-25. We also cut our dividend estimates, but our operational estimates remained practically unchanged.

Neutral valuation multiples, earnings growth from 2024 and dividend yield drive expected return

We feel that 2023 earnings-based ratios (P/E 13x, EV/EBIT 11x) are at the top of the neutral range. The company's acceptable valuation is limited by the subdued growth potential in radiators and the moderate return on capital of about 10%. However, expected clear earnings growth in 2024 pushes multiples (P/E 10x and EV/EBIT 9x) to the cheap side. On average, we expect a small (4%) earnings growth in 2022-25 , although this year we estimate a decrease in EBITDA and the interest of the hybrid bond to depress EPS. Earnings growth together with a dividend yield of about 4-5%, raises the share's expected return in the next few years to 8-10%, which is slightly higher than our required return. Our DCF and sum of the parts indicate a clearly higher level than the current share price. This requires, however, a sustainable improvement in profitability and/or a better growth profile.

Recommendation

Accumulate
(previous Accumulate)

EUR 9.50
(previous EUR 9.50)

Share price:
8.38

Key figures

	2022	2023e	2024e	2025e
Revenue	904.1	862.4	887.4	923.7
growth-%	7%	-5%	3%	4%
EBITDA adj.	92.9	87.7	99.7	106.8
EBITDA-% adj.	10.3 %	10.2 %	11.2 %	11.6 %
Net Income	13.2	-1.3	32.4	47.1
EPS (adj.)	0.85	0.66	0.86	0.97
P/E (adj.)	9.7	12.7	9.7	8.6
P/B	0.9	0.8	0.8	0.7
Dividend yield-%	4.3 %	4.2 %	4.2 %	4.7 %
EV/EBIT (adj.)	10.3	11.0	8.8	7.7
EV/EBITDA	6.8	7.0	6.0	5.3
EV/S	0.7	0.7	0.7	0.6

Source: Inderes

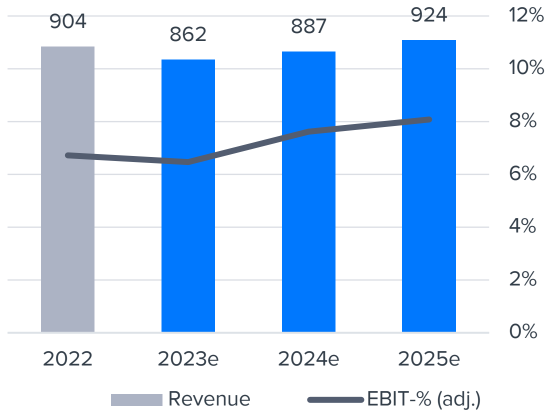
Guidance (Unchanged)

Purmo Group's adjusted EBITDA in 2023 is expected to be on a similar level to 2022 (EUR 92.9 million). Similar means being within +/- 5 per cent of the previous year.

Share price

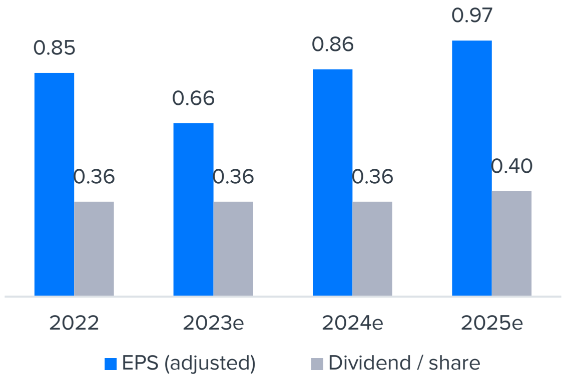
Source: Millistream Market Data AB

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- One of the largest product portfolios on the market
- Strong brands and market positions in Europe's radiator business
- Sustainable development, renovation debt, digitalization support the growth outlook of the market

Risk factors

- Dependency on construction cycles, especially in housing construction
- Distribution is dependent on large wholesale customers
- Capacity management and successful growth investment

Valuation	2023e	2024e	2025e
Share price	8.32	8.32	8.32
Number of shares, millions	42.7	42.7	42.7
Market cap	355	355	355
EV	675	656	631
P/E (adj.)	12.7	9.7	8.6
P/B	0.8	0.8	0.7
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.7	0.6
EV/EBITDA	7.0	6.0	5.3
EV/EBIT (adj.)	11.0	8.8	7.7
Payout ratio (%)	neg.	55.8 %	40.1 %
Dividend yield-%	4.2 %	4.2 %	4.7 %

Source: Inderes

Contents

Purmo Group in brief

Purmo Group is a leader in sustainable indoor climate comfort solutions.

1970
The company's development begins when Rettig acquired Purmo Tuote Oy

2022
Purmo was listed on the stock exchange

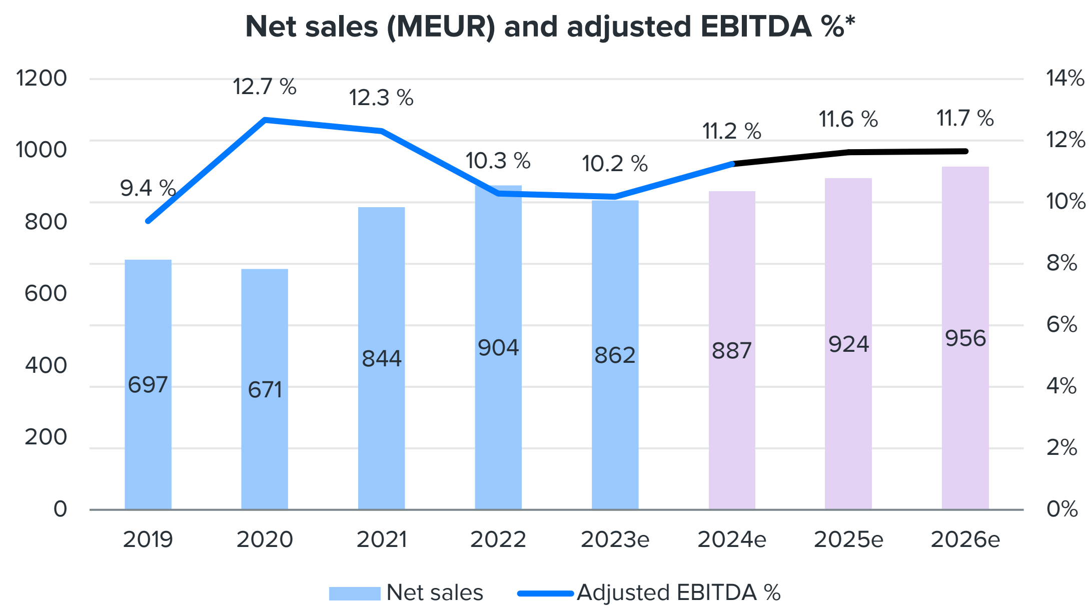
904 MEUR **(+7 % vs. 2021)**
Net sales 2022

93 MEUR **(10.3% of net sales)**
Adjusted EBITDA 2022

~3,400
Employees globally

#1 / #4
Market position in Europe: Radiators / Radiant heating and cooling

1970–2006: Consolidation of the radiator market	2007–2011: Business integration	2012–2016: Expansion to indoor climate systems	2017–2021: Improving organizational efficiency, IPO
• **Purmo Tuote Oy** acquired by Rettig • **Numerous acquisitions** in the radiator market including Delta, Baxi ja Vogel & Noot	• **Decline in the radiator market in 2008-2009** • **Improving production efficiency** • Merging the **brand portfolio** more strongly under the Purmo brand	• Expansion into underfloor heating with **Hewing acquisition** • **Emmeti acquisition** to expand more into indoor climate systems	• **Efficiency program and stronger focus on growth in indoor climate systems** • **Purmo was listed at the beginning of 2022** and Rettig reduced its holding



Source: Purmo Group/ Inderes *The figures for 2018-19 are not fully comparable with subsequent figures

Company description and business model 1/8

Radiator and indoor climate system company

Purmo is one of Europe's leaders among indoor climate comfort system providers. Purmo has historically been a radiator company that has consolidated the market and began to expand to other indoor climate products and solutions about 10 years ago. This has been necessary to create growth, as the radiator market has seen a structural decline.

Until the end of 2022, the company was divided into two divisions: Radiators and Indoor Climate System (ICS), which both represented roughly half of net sales and comparable EBITDA in 2022. From the beginning of this year, the company changed its division structure and is now divided into Climate Products & Systems and Climate Solutions divisions. This division highlights the company's focus on comprehensive indoor climate systems, although their share of Purmo's net sales is still a clear minority. We use both separations in the report, but our estimates were made with the current division model. According to Purmo, it is the market leader in radiators in Europe with a market share of over 20% and one of the leading players in indoor climate systems.

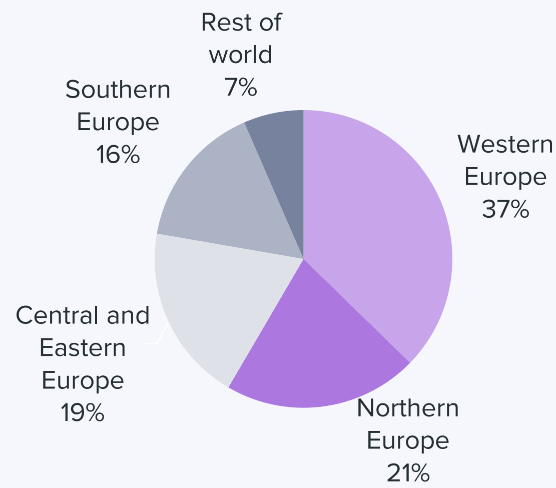
The company employs some 3400 people worldwide. Geographically, sales are divided into five large areas. In 2022, Western Europe generated the largest share of net sales representing some 37%. Central and Eastern European countries generated good 20% of net sales, Northern Europe also around 20%, Southern Europe some 16% and the rest of the world around 7%. Europe, therefore, accounts for over 90 % of the company's net sales, but within the continent, Purmo's presence is widespread.

Purmo's net sales have historically been fairly stable if the effect of acquisitions is removed. However, in 2021-22, net sales increased rapidly, first due to the demand boom during and partly after COVID and, in 2022, especially driven by price increases, even though volumes, especially in radiators, already decreased. The company's adjusted EBITDA margin was close to 10% before the COVID era but increased to 12-13% in 2020-21, thanks to cost saving measures and good demand. Last year, the fall in volumes and cost inflation depressed the margin back to around 10%, where we believe it will also be this year.

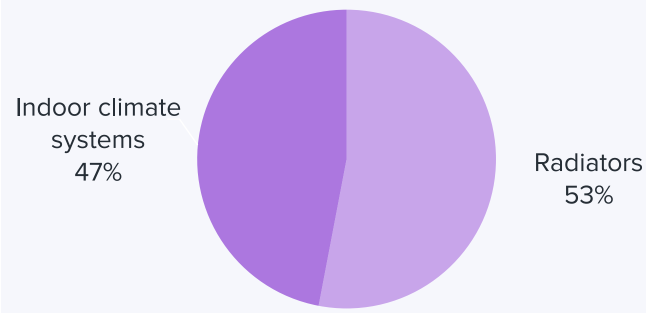
Purmo as the main brand

The company has several different brands in its product portfolio. Purmo is the biggest brand and operates in many European countries, as well as China. Around 40% of the company's net sales are generated by the Purmo brand. Outside Europe, Myson is a US-based brand. Apart from the strong domestic market in Italy Emmeti also operates in Brazil. The company therefore has some foothold outside Europe as well.

Net sales distribution, 2022



Net sales distribution, 2022



Source: Purmo

Company description and business model 2/8

Purmo aims at a wide product range

Purmo's offering tries to cover all heating and cooling requirements in residential buildings: various external and embedded radiators, underfloor heating equipment, and product control and distribution systems. The company's comprehensive product range includes hydronic radiators, towel dryers, floor heating solutions, convectors, valves, controls, air heat pumps and ventilation products. Purmo manufactures most of its products itself and sells them through wholesalers to construction professionals (installers) and other end-users. Purmo also sells other manufacturers' products as part of comprehensive solutions (products manufactured by others account for less than 10% of Purmo's net sales) and the company also sells its own products to other manufacturers.

Distribution mainly through wholesalers

The majority of Purmo's net sales consist of the company selling its products to wholesalers. According to the company, these sales represent about 70% of total sales. Wholesalers sell them to end-users, retailers and builders. The wholesalers include, e.g., Onninen, Ahlsell, Wolseley and GC Gruppe. The remaining sales are 1) directly to so-called installers, i.e. construction companies or technical building services companies, 2) through the own Emmeti wholesaler, 3) as private label products in wholesale trade, and 4) as part of other manufacturers' products (OEM manufacturing). We estimate the first two to account for about 20% of net sales and the latter two for about 10%.

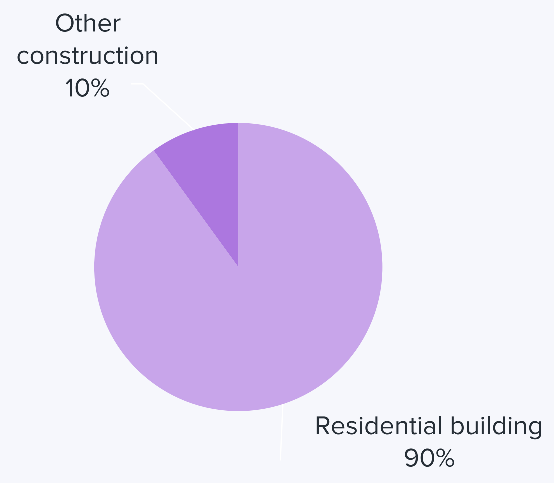
The end-market is mainly residential building

Around 90% of the market for Purmo's products is residential buildings and 10% other construction. The share of new-build construction in the company's final market is about 55% and thus renovation is around 45%. Therefore, the company's business is cyclical. The company's products are used much towards the end of the construction phase, which means the business has post-cyclical characteristics. The company's products are largely related to professional construction. Their installation often requires professionals, and installations are typically made in connection with new-build construction and major renovations.

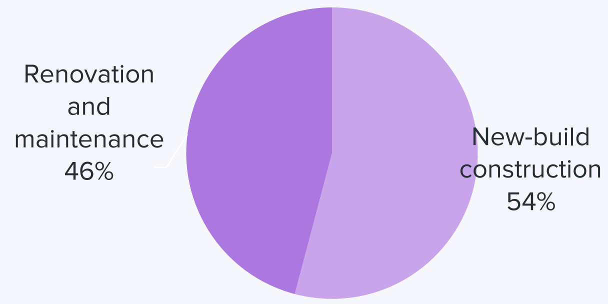
Production mainly in Europe

The company has its own factories in several countries, which enables production close to the customer and thus fast delivery times, especially for radiators. The flip side is that the majority of Purmo's factories are located in Central Europe, and competitors' products with cheaper production costs come, e.g., from Turkey to Europe, which tightens price competition. Purmo has a total of 21 manufacturing sites in 11 countries, the largest factory is a radiator factory in Poland. Other major production countries are Germany, Great Britain and Italy. There is a factory in China serving local markets. According to the company, about 75-85% of its factory capacity was in use in 2021, but with the clear drop in radiator volumes (22% in 2022), utilization rates are likely to be 60-70% at least in radiator manufacturing which is a rather low level.

Net sales distribution



Net sales distribution



Source: Inderes, Purmo

Company description and business model 3/8 - Customers, distribution channels and brand

Distribution channel	Nature of the distribution channel	% share of revenue	Example customers
Wholesale	• Most of the company's sales goes through wholesalers • Wholesalers are construction sector wholesalers • The company's own brand Emmeti also partly acts as a wholesaler	~70%	onninen, Saint-Gobain, ahlsell, CG Gruppe, Wolseley
Direct sales, private label and contract manufacturing	• In the Nordic countries, the company's products are sold directly to construction companies and installers that install the company's products • Direct solution sales to designers/installers (in ICS/Solutions division) • Private label products for wholesale customers • Contract manufacturing for competitors (components)	~30%	bravida, Bovis Lend Lease, Bouygues Construction, Peab

Europe

Rest of the world

Product line brands

LVI MMA FIV

Other

Sigarth, Hewing, Thermotech, Merriott

Source: Purmo, Inderes

Company description and business model 4/8

Division structure changed at the beginning of the year

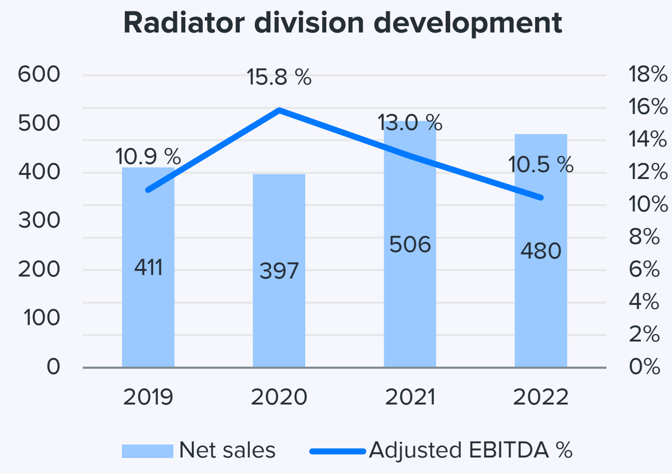
Until the end of 2022, Purmo was divided into the **Radiators** and **Indoor Climate System (ICS)** divisions. This structure logically emerged from the company's history, where it originally was a radiator company and began to expand to other indoor climate systems through acquisitions about 10 years ago which subsequently became the company's second division. From the beginning of 2023, the company changed its division structure and is now divided into **Climate Products & Systems** and **Climate Solutions** divisions. This division highlights the company's focus on comprehensive indoor climate systems.

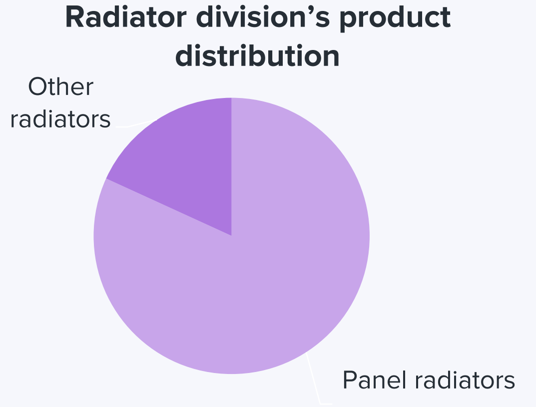
Radiator business has been steady

The Radiator division develops and manufactures water distribution and electric radiators, towel warmers and related accessories. Purmo manufactures virtually all the products of the division itself. Over 80% of its net sales come from hydronic radiators that are mounted on the wall. The main raw material of radiators is steel (about half of the total production cost), the price development of which is typically also reflected in the price of radiators with a delay, considering other cost components. The division has 13 production plants in 11 countries and thus a comprehensive production network in Europe. The company has in the past acted as a market consolidator in radiators and is now the market leader in Europe with a 20% market share.

According to Purmo, around 40% of the radiator market is directed at new-build construction and 60% at renovation, although we consider the estimated new-build construction share to be rather high. For example, Purmo's main competitor Stelrad, estimates new-build construction to represent only 25% of the Western European radiator market and Purmo has also spoked more about 20% in the past. The popularity of radiators has decreased in new-build construction over the past 10-15 years, as the demand for underfloor heating and heat pumps has increased. This has been reflected as a structural decline in the radiator market and Purmo has not managed to increase net sales in radiators either. Purmo's net sales have remained unchanged, e.g., in 2002-2015, even though the company also made acquisitions during that period. This indicates that net sales of radiators have decreased organically during this period.

The Radiator division grew strongly in 2021, when demand was at a good level. Last year, net sales fell slightly, while volumes decreased by more than 20%, but price increases due to significant cost inflation almost offset lower volumes. In 2012-2015, Purmo's adjusted EBITDA was about 11% as a radiator-driven company and about 12% in 2019. In 2020, profitability increased to above 15%, driven by temporary savings and COVID subsidies, but decreased to 10.5% in 2022 with the volume decrease and cost inflation. History shows that 11-12% is relatively normal profitability level for radiators. Due to the lack of growth and the similarity of products, we believe that price competition in the sector is and remains relatively high, and we do not believe that the business therefore offers opportunities for high margins or return on capital.





Source: Inderes, Purmo

Company description and business model 5/8

Indoor climate systems

The company's **Indoor Climate System** division (ICS) offers a wide range of indoor climate heating and cooling solutions (e.g. underfloor heating), valves, control units, heat pumps and air conditioning products. Of these products, however, e.g., heat pumps, which are growing strongly, are not Purmo's own production and currently account for a rather small part of the division's net sales. Air-conditioning equipment and solar panels are also purchased from third parties and sold by Purmo as part of its comprehensive solutions. Purmo's own production facilities (8 factories) for the ICS division are located in Western Europe. The main raw materials for products manufactured by Purmo are polyethylene, used in the manufacture of plastics, as well as brass and aluminum.

The market for indoor climate systems is like radiators strongly focused on residential buildings (90%), but in this market, new-build construction plays a key role with a roughly 70% share and is therefore inherently more cyclical than radiators. However, we believe that investments in energy savings can also increase the market for renovation in the coming years and thus balance the cyclicality.

The ICS division has grown by acquisitions, but also organically. Organic growth has been supported by, e.g., liberal subsidies for energy renovation, especially in Emmeti's main market in Italy, and price increases because of inflation. Their decline could slow down development in the coming years, but in the longer term, we believe that the solution business is the main driver of Purmo's growth.

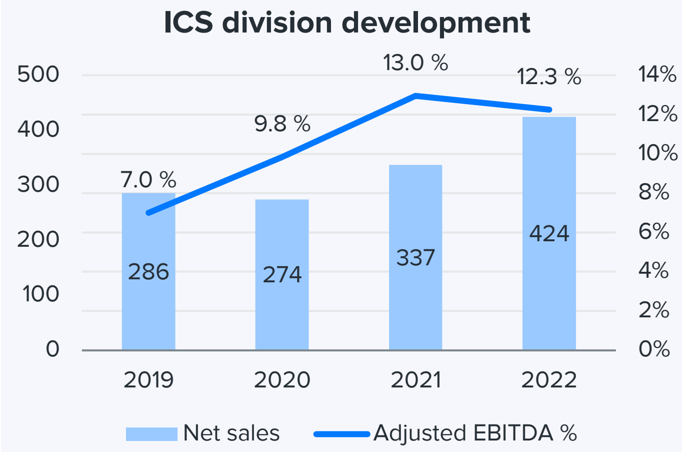
However, successful growth requires, in particular, a successful expansion of the solution business to new countries.

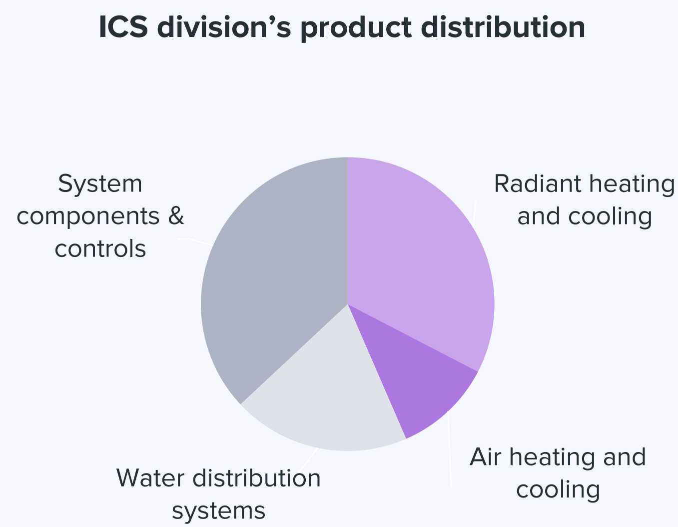
The division's adjusted EBITDA was 13% in 2021 and good 12% in 2022. We believe that the margin is weakened by sales of third-party products, where Purmo only receives a distribution margin. On the other hand, solution sales (where external products are used) is likely to be more profitable on average than selling individual products.

Current divisions Climate Products & Systems (CPS) and Climate Solutions

In the divisions used since the beginning of this year, Products & Systems virtually includes the entire previous Radiators division and the ICS division's "product sales", (e.g. underfloor heating, air heating and cooling, air-to-water systems) i.e. good half of the old ICS. In 2022, this division represented approximately 80 % of Purmo's net sales. The distribution model of the CPS division is almost exclusively 3-step distribution, i.e. distribution through wholesale.

The second division, as its name suggests, contains the comprehensive solutions provided by Purmo, i.e. parts of the old ICS division. This includes the businesses/brands of Emmeti, Thermotech and Merriot acquired by Purmo. Of these, Emmeti is by far the largest and we estimate that its net sales was around EUR 150 million in 2022 or more than 80% of the entire division. Most of Emmeti's sales comes from Italy, so the Solutions division is highly Emmeti/Italy driven.





Source: Inderes, Purmo

Company description and business model 6/8

This division follows a 2-step distribution model, i.e., it usually sells directly to installers and not to wholesalers.

In 2022, the adjusted EBITDA margin of the CPS division was about 10%, compared to over 16% in the Solutions division. While Solutions is inherently more profitable, we believe that the difference seen last year is larger than normal as the poor profitability of radiators depressed CPS. The Solutions business also ties up more capital, so its profitability must be better to achieve sufficient return on capital. The efficiency improvement program presented on the next page focuses on improving the efficiency of CPS' operations, while Solutions' margins should improve mainly through the scalability generated by growth. Thus, the improved profitability of both divisions would take the company towards the targeted 15% EBITDA margin.

Business cyclicality

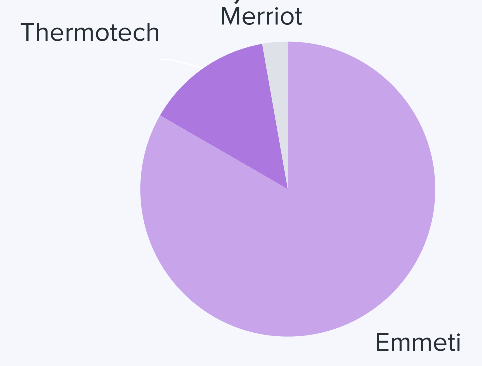
Seasonality in Purmo's business operations partly follow the cyclicality in construction, where in general Q4 is the best quarter and H2 the better half year. However, orders are placed with manufacturers earlier than when the actual construction takes place, so this balances out fluctuations during the year. In Purmo's case, September-November or Q3-Q4 are the best quarters due to the peak heating season and Q2 is usually the weakest quarter. However, vacation periods especially in July-August and December offset quarterly demand fluctuations. In recent years, sudden changes in demand and pricing, due to, e.g., COVID and the economic slowdown at the end of last year, have, however, mixed up normal seasonality. This year, we believe that normal seasonality will return, at least to the extent that H2 would be better than H1.

Costs are mostly variable

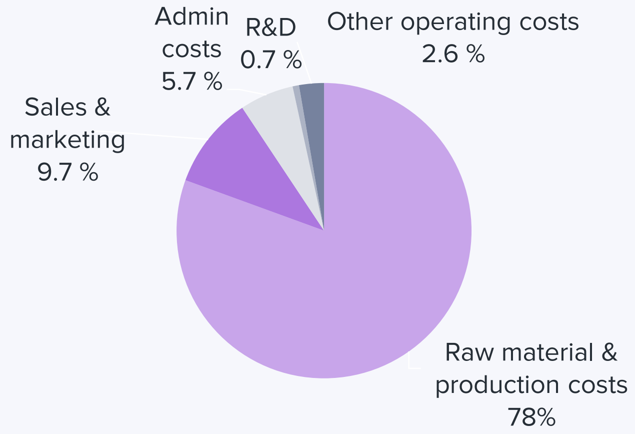
Purmo's business has relatively low margins, with a gross margin of good 20% (2022: 22.4%). Its production costs are mainly raw materials and labor, as the company's production is not very capital intensive. However, as the company produces the majority of its products itself, production/sales volumes have an impact on profitability. Especially in quick drops, the company is unlikely to be able to adjust its costs to correspond with volumes, which means that profitability suffers. Naturally, factories operating at very high utilization rates improve profitability. Although the effects may be relatively small in absolute terms, they may be significant in terms of earnings in Purmo's low-margin business. So costs include a certain scalable element, although the majority is variable labor and raw material costs.

The main raw materials were already mentioned by division, but at company level they are steel, plastic, brass and aluminum. The company also purchases various electronic and electrical components (controllers and control devices) and piping. The company has many alternative suppliers and purchases are centralized. Less than 10% of Purmo's net sales comes from selling product completely produced by third parties.

Climate Solutions' net sales distribution, Inderes' estimate



Cost structure, % of net sales 2022



Source: Inderes, Purmo

Company description and business model 7/8

EUR 40 million savings through efficiency program

At the end of 2022, Purmo launched an efficiency program called 'Accelerate PG'. The program aims to achieve EUR 20 million in savings by the end of 2023 (run-rate) and EUR 40 million by the end of 2024, i.e. the full impact of the program will be visible in 2025. The program contains several points, some of which are direct cost savings and some more indirect measures such as more efficient procurement, pricing and growth. The cost savings respond in part to the significantly lower volume of radiators in 2022. The program will generate more than EUR 40 million in non-recurring expenses, of which EUR 33 million is expected to be incurred this year and are mainly cash-flow-based. The program should support Purmo's profitability in 2023-25.

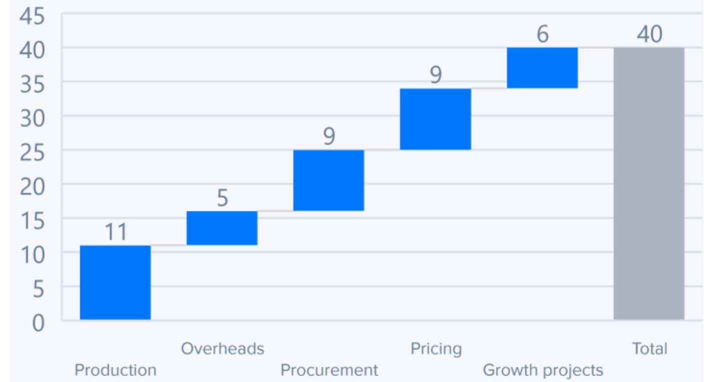
Strong operational cash flow, but working capital growth has depressed in 2021-22

Purmo's operational cash flow is typically quite stable. Operating cash flow before changes in working capital has been at the same level in 2021 and 2022, at good EUR 90 million. For 2022 this is at the same level as adjusted EBITDA and slightly weaker for 2021. However, cash flow is better than the reported result. In general, we mainly look at the adjusted result, which gives a better picture of business development. This year, however, the non-recurring costs of the efficiency program will also depress cash flow. Working capital has grown clearly in both 2021 and 2022, partly due to raw material inflation and partly to reduced demand, that has depressed operating cash flow. With this and acquisitions, the company's free cash flow was about zero in 2022 and good EUR 15 million in 2022.

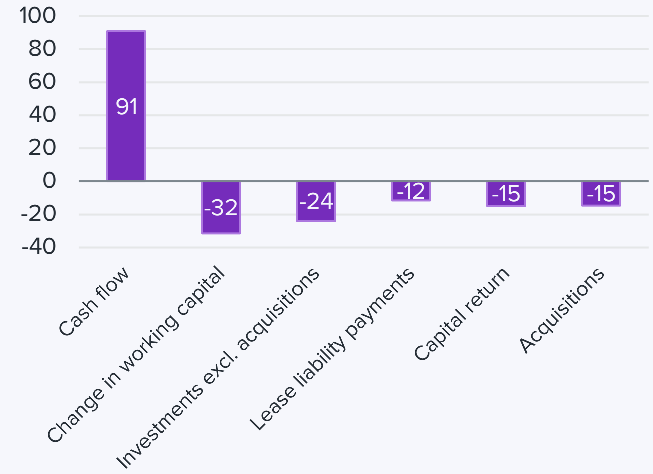
Moderate investment needs

The company's production is not very capital intensive, which limits investment needs. As the development of the radiator market is subdued, we believe there is no need to invest significantly in capacity either. Thus the annual investment need is moderate. In 2022, the company's gross investments were EUR 24 million, which is good 2.5% of 2022 net sales while in 2021 the level was only EUR 15 million. We believe the normal maintenance investment level is EUR 15-20 million. This is slightly less than the depreciation of the company's intangible and tangible assets, which was good EUR 20 million in 2021-22. In addition, the depreciation of right-of-use assets amounted to EUR 9 million in 2022.

Objectives of Accelerate PG efficiency program (MEUR)



Cash flow components 2022 (MEUR)



Company description and business model 8/8

Rettig still owns over 60% of Purmo

Purmo entered the stock exchange at the beginning of 2022 when it merged with Virala Acquisition Company (VAC), a company created for acquisitions. In practice, Purmo was listed on the stock exchange with the help of VAC. Prior to this, Purmo was wholly owned by Rettig Group, the investment company of the Rettig family. In connection with the listing, the holding of Rettig fell to about 65%. In addition, Rettig sold a 3.7% stake in Purmo in September 2022 and currently owns around 62% of Purmo. Another major owner is the main owner of VAC, Alexander and Albert Ehrnrooth's investment company Virala, that owns approximately 15% of Purmo. After these two main owners, the owner list consists of Finnish and Swedish institutional investors.

Although we believe that a clear majority shareholder is positive in principle, we also find Rettig's large holding in Purmo to some extent problematic, as it controls a majority of the shares and can thus make unilateral decisions within the company. In addition, we suspect that Rettig's long-term objective is to reduce its holding in Purmo, which brings certain selling pressure to the share, even though we do not believe that Rettig would sell the shares regardless of the price. Foreign ownership in Purmo is low, less than 10%, due of course to the fact that the two main shareholders control nearly 80% of the shares. Rettig has two representatives on the Purmo Board, Tomas von Rettig, Chairman of the Board and Matts Rosenberg, vice Chairman, and Virala has one representative (Alexander Ehrnrooth). In addition, the Board of Directors has four members, two of whom are foreign.

Significant holdings in the management team

John Peter Leesi, who has been the CEO of Purmo since 2020, has a background in several industries, but not directly in Purmo's business. Jan-Elof Cavander, who worked at Rapala, has been appointed CFO and will start in June. The former CFO Erik Hedin became Chief Operating Officer at the beginning of 2023. In addition to them, the management team includes division presidents Mike Conlon (Climate Solutions) and Barry Lynch (Climate Products & Systems) as well as Linda Currie, Chief People Officer. The management of Purmo is significantly and to some extent surprisingly international. We see this as positive, as the business is also widely spread across Europe and partly outside Europe.

Management has significant shareholdings in Purmo, which we find positive. CEO Leesi is the ninth largest owner with over 415,000 shares, or a EUR 3.4 million holding. Erik Hedin has around 250,000 shares (2.1 MEUR) and other members of the management team have 10,000-30,000 shares.

The company has a share-based incentive scheme for some 50 persons for 2022-27. The only performance criteria is total share return (TSR). We consider this a rather one-sided system and would prefer to see operational indicators as the basis for management incentive schemes. The shorter incentive schemes have been based on the development of EBITDA and free cash flow, which we believe are better indicators, and e.g., ESG indicators.

10 largest shareholders	2/28/2023
Rettig Group	61.8%
Virala Oy	15.2%
Ahlstrom Invest	2.8%
Varma	2.3%
Jussi Capital	1.4%
Fennia	1.2%
Svenska Litteratursällskapet	1.2%
Oy Julius Tallberg	1.0%
John Peter Leesi	1.0%
Alcur Fonder	0.8%

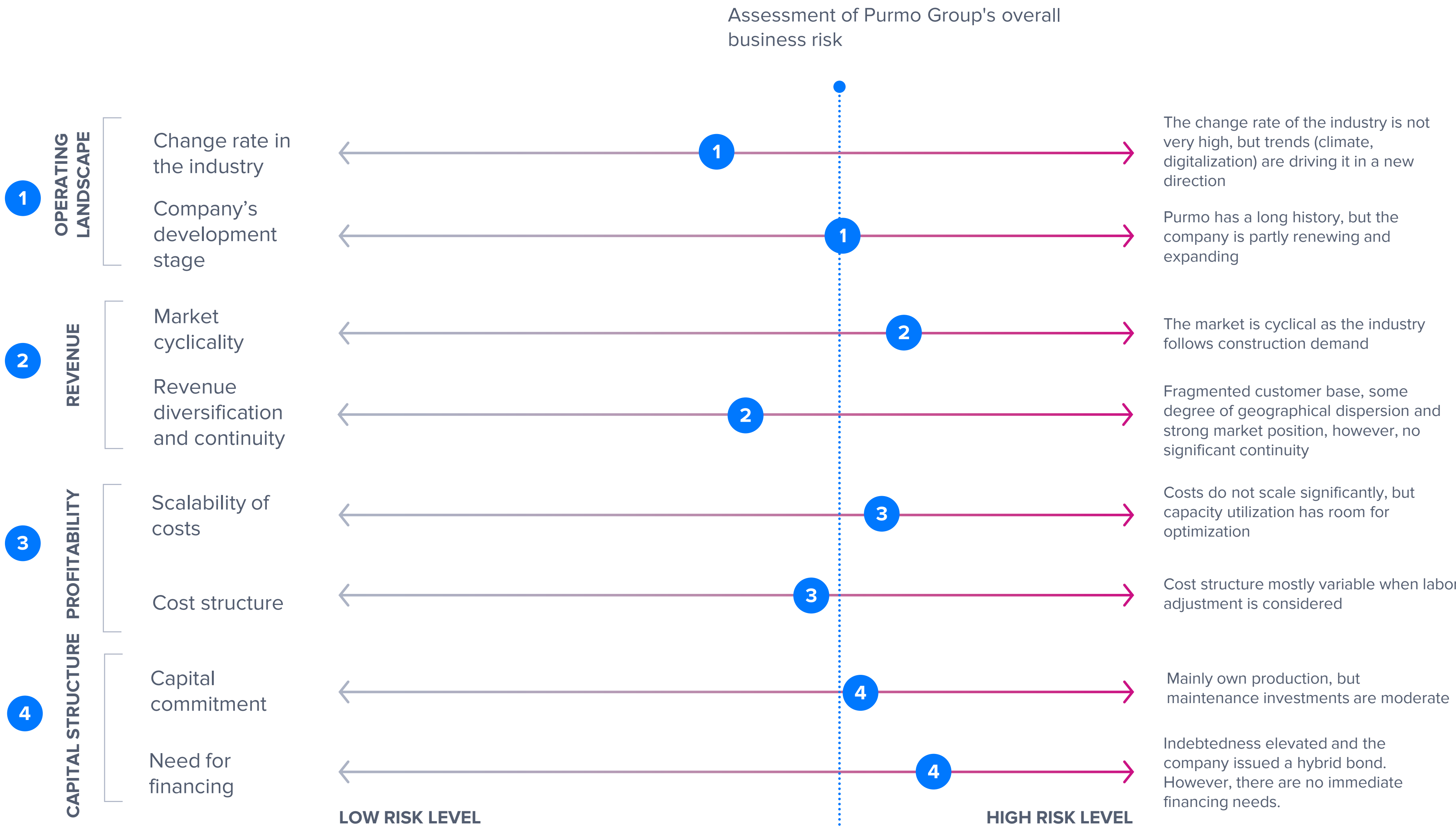
Source: Inderes

Purmo's key acquisitions

	2012 Hewing	2015 Emmeti	2018 Sigarth	2022 Thermotech
Revenue	~50 MEUR (2011)	109 MEUR(2014/ 2015)	~11 MEUR (2017)	23.8 MEUR (2021)
Profitability	Loss-making (2011)	Not known	Not known	EBITDA 3.6 MEUR (2021)
Deal price	MEUR 11.9	Original purchase price not known, 9% share purchased for EUR 3.4 million in 2019	~6 MEUR	18.4 MEUR, EV 25 MEUR (EV/EBITDA 7x) + additional purchase price of at most 5.7 MEUR
Share of ownership	100%	91% (remaining 9% was bought in 2019)	100%	100%
Number of personnel	Around 230	Around 320	Around 80	Around 80
Main markets	Central Europe	Italy	Sweden, Central Europe	Finland, Sweden
Brands	HEWING	EMMETI	SIGARTH	Thermotech
Product selection	PEXc plastic pipes for underfloor heating and pipe system companies	Heat pumps, air conditioning equipment. Integrated indoor climate systems	Radiator supports and springs	Underfloor heating systems

Source: Inderes, Uponor, Purmo, Rettig

Risk profile of the business model



Source: Inderes

Investment profile

1. **Strong market position and well-known brands, especially in radiators**
2. **Energy efficiency investments support market growth**
3. **Business supports sustainability**
4. **Largest product category radiators does not support growth**
5. **Weakish balance sheet limits acquisition possibilities**

Potential

- A wide product range and well-known, strong brands
- Megatrends of sustainable development and digitalization play a large part in the business
- Potential to shape more into a growth company through acquisitions

Risks

- The industry is cyclical and depends on construction growth
- Risks generated by acquisitions or expansion investments
- Structural lack of growth in the radiator market and tightish competition

Source: Inderes

Market and competitive field 1/2

Long-term trends support the market

Purmo's market growth is based on many long-term trends that support the company. The clearest ones are sustainable development and climate change, renovation debt and digitalization.

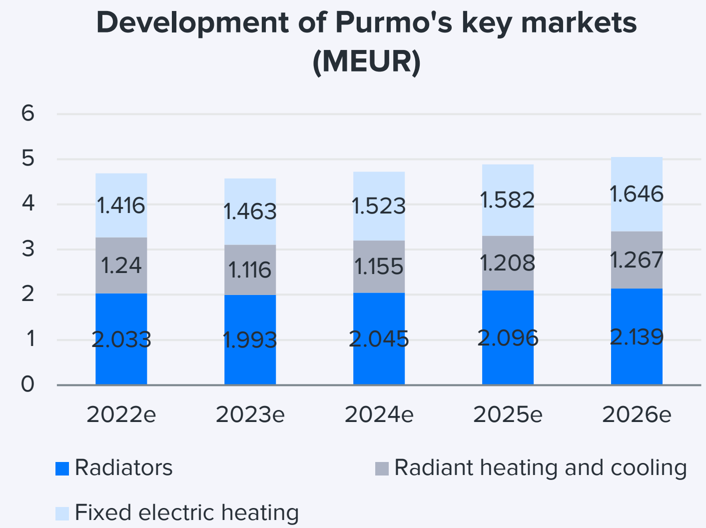
The sustainable development trend supports the growth of Purmo's market both in Europe and globally, as according to a report by the EU Commission buildings currently generate around 40% of the EU's CO2 emissions (report from 2018). The demand for sustainable products and solutions is also supported by increasing regulation, which focuses on energy efficiency, e.g., on heat pumps. In addition, the additional EUR 250 billion annual financial package for the EU's Green Deal program can be expected to stimulate and support market demand, especially in sustainable solutions.

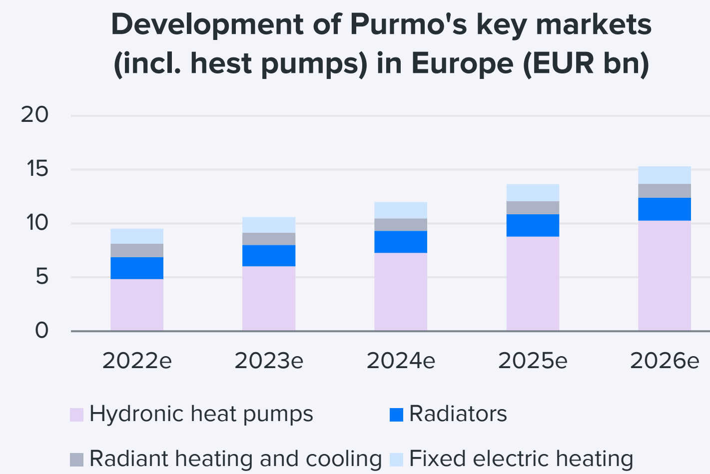
Old buildings are often weaker than new ones in terms of energy efficiency and heating solutions. They must renew themselves due to stricter regulation, but also to a changing environment. The rise in energy prices and the energy crisis that threatened Europe have helped accelerate the market transformation towards more energy-efficient solutions and growth in energy self-sufficiency. This supports the demand for heating solutions regardless of the cycles in new-build construction.

Market is dependent on construction

Purmo and its industry is dependent on construction and its economic cycles. Both new-build construction and renovation are important for the company in both divisions, but the biggest share of net sales in indoor climate systems come from new-build construction. This is partly explained by technology development, where many renovation targets already have radiators, while indoor climate systems (underfloor heating, heat pumps, etc.) are less present in old buildings. The most important segment within construction is residential construction, which accounts for about 90% of the company's net sales.

Purmo is primarily active in the European hydronic heating and pipe systems market, which is part of the larger around EUR 30 billion HVAC market. Purmo sees its own target market as about 11 billion (2022), but over half of this consists of air-to-water heat pumps that Purmo does not have in its own product range, at least thus far. The market for Purmo's own products has been fairly stable in recent years and expectations for the next few years are similar (see picture). According to estimates, Purmo's biggest single market, radiators, will grow by just over one per cent per year in 2022-26. Annual growth in Purmo's other product groups is 0-4%, while heat pumps are expected to grow by more than 20% per year. In 2023, a decline is expected with the exception of heat pumps and cycles will continue to affect this market.





Source: Purmo

Market and competitive field 2/2

Competitive field varies by product group

There are many different types of players on the market, but especially medium-sized/large players with a wide range of products on the indoor climate, heating and cooling markets stand out as Purmo's competitors. There are clearly a few main competitors in radiators, while the competitor field is more fragmented for other products. In Europe, Purmo claims it is the market leader in radiators and the fourth biggest player in indoor climate systems.

Main competitor in radiators is Stelrad

Purmo's main competitor on the European radiator market is the UK-based Stelrad, who in 2021, according to its own estimates, had an 18% market share in conventional radiators (steel panel radiator) in Europe, whereas Purmo had a market share of about 20% (this differs slightly from Purmo's figure, presumably due to differences in defining the market). With the acquisition last year, Stelrad, according to its own information, is already close to Purmo's level. Stelrad focuses purely on radiators and is listed on the London Stock Exchange. The next largest players in the European market are Elginkan (10% market share) an unlisted Turkish company, and Arbonia (7% market share) from Switzerland. Arbonia is also a listed company, although radiators are only part of its business. Of listed companies, the Swiss Zehnder also has considerable radiator business.

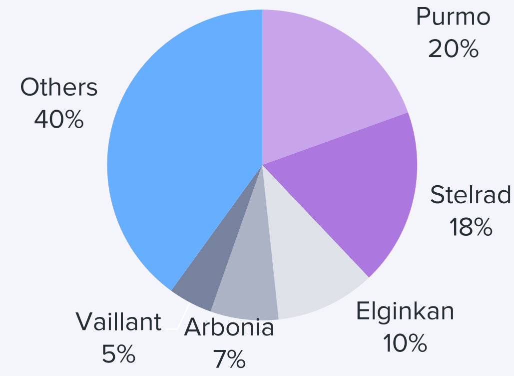
In Arbonia's reporting, radiators are included in its HVAC segment figures. Last year the adjusted EBITDA margin of this segment was around 9% and the company's target is 12.5% by 2026. Zehnder's radiator segment's EBIT margin was about 5% last year. Purmo's EBIT margin for radiators was good 6%. Stelrad's EBITDA margin was over 13 % and the adjusted EBIT margin was over 10 %. As a result, Purmo's profitability in radiators was weaker than its main competitor last year, but better than its smaller competitors. Compared to Purmo, Stelrad's profitability is supported at least by a large proportion of production in Turkey, where costs are low.

More fragmented competition field in other products

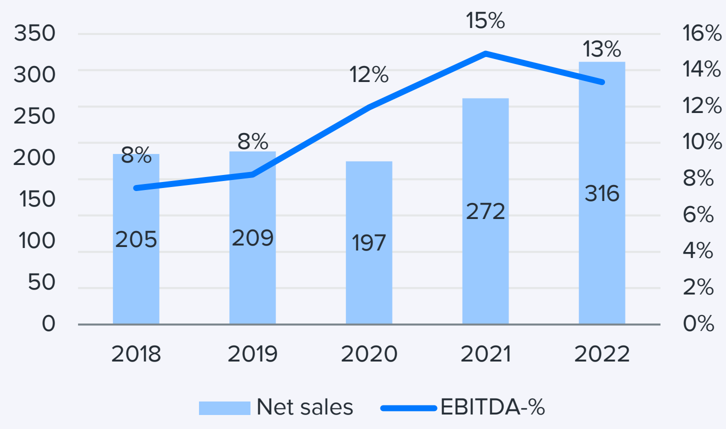
For other Purmo products, the competition field is more fragmented and varies by product area. In underfloor heating, competitors include, e.g., the domestic Uponor, British Rehau and German Roth. Of these, only Uponor is a listed company. Its Building Solutions Europe segment, which we believe is the closest benchmark for Purmo, had an EBIT margin of around 10% last year, although profitability has varied between 6-13% over the last five years.

In our view, there is no bigger company that focuses on comprehensive solutions on the European market so in this respect competition is more local. These small companies are therefore also potential acquisition targets for Purmo. More generally speaking, the listed competitors in the HVAC industry include, e.g., Swedish Nibe, Systemair and Lindab, but their product range is significantly different from Purmo's and we do therefore not find direct comparison with these figures as useful for Purmo.

Market shares on European radiator market 2021



Stelrad's development (MGBP)



Source: Stelrad

Strategy 1/2

Purmo's strategic objectives

Solution selling

- Providing a complete solution and capturing the growth potential

Growth markets

- Capturing biggest opportunities outside of the current markets

Smart products

- Launching and delivering smart products that are more intelligent, sustainable and aesthetic

Inderes' comments on Purmo's strategic objectives

- Purmo's largest division by far is Climate Products & Systems, whose distribution channel is mainly construction/HVAC industry wholesalers.
- We, therefore, believe that solution selling mainly concerns the smaller Climate Solutions division. Growing sales in this division is, therefore, Purmo's main growth project.
- There is definitely demand for solutions related to lowering energy consumption but, on the other hand, there is also a lot of supply.
- We believe that Purmo can grow in this area, but we are not convinced that it has competitive advantages that will enable it to gain market shares.
- The key to the success of the strategy is that HVAC designers adopt Purmo's solutions, as they usually make decisions on behalf of end-users or make recommendations on solutions. Thus, growth in solution selling requires development of the currently small sales channel for Purmo.

- Purmo's original growth strategy (published at the end of 2021) highlighted the Chinese and Russian markets in particular. Now Russia is, naturally, out of the picture.
- Purmo is still small in China, and we do not see Purmo having a competitive advantage that would enable it to become a serious player in China. With the support of an own local factory, some growth can be achieved that supports the growth of the company as a whole. However, China only represents about 1% of the company's net sales.
- The aim is also to increase radiator sales outside the current markets. We find this challenging, because already in its current market, Purmo faces fierce price competition from radiators from cheaper production countries and we believe that it is challenging to win over new areas
- Purmo is also pursuing acquisitions, which we believe are necessary to change the company's structure more towards growth areas and to reduce the weight of radiators.

- New products are a natural part of any product company.
- We also believe that Purmo's competitors are developing similar products, and we do not believe that Purmo has a major advantage in this respect.
- Purmo's Italian Emmeti brand/company focuses on integrated system solutions, where smart products also play a role.

Source: Inderes

Strategy 2/2

Vision of an indoor climate system supplier

The company announces that its vision is that perfect indoor climate should not cost the planet's climate. Purmo's mission is to be the global leader in sustainable indoor climate comfort solutions.

The strategy is built on three pillars

- Solution selling
- Smart products
- Growth markets

We already discussed these on the previous page, and we believe that the most important of these is growing solution sales, which in practice will determine the growth profile of the entire company in coming years.

In addition, the company says that its strategy is supported by:

- Operational excellence
- People and culture

Improving business efficiency is a natural part of any company. With this Purmo refers in particular to improving the efficiency in operational, commercial and business support. The efficiency program launched last year, which we described earlier, aims specifically at this.

People and culture are also a natural part of any company, and in fact a prerequisite for the existence of a company. So we do not believe that these activities that support the strategy in themselves constitute a particular competitive advantage for the company, but rather how they are implemented in practice. Under the current management, the company successfully completed a previous efficiency improvement program in 2020-21, so the company has expertise in this area. On the other hand, when a relatively short time has passed since the previous efficiency program, implementing new savings that are double the size is a bit more challenging in our view.

Business acquisitions as a growth enabler

In addition to the previous strategic points, Purmo sees acquisitions as an enabler of growth and aims to be active in acquisitions. However, the current balance sheet situation does not allow the company to carry out significant acquisitions with debt, and we do not believe that the company at the current share price level is particularly willing to use its own shares to finance the transaction either. Thus, we believe that in 2023-24 Purmo will focus more on improving own operations and efficiency, e.g., by implementing the efficiency improvement program. The company's management has also commented that they are currently disciplined and cautious about acquisitions.

The company has also been active in acquisitions in the past and acted as a consolidator in the radiator market in past years. It is impossible to assess the quality of these transactions comprehensively afterwards, but in light of the drop in the demand of radiators, market consolidation has not generated value in the long run. On page 14, we have mentioned some more recent acquisitions. Here too, the lack of information makes it challenging to assess success, but generally we believe that the Emmeti and Thermotech acquisitions were sensible, as they have moved the company to more growth areas. However, we estimate that Emmeti's net sales in 2021 were about EUR 100 million, which was slightly lower than at the time of the acquisition in 2015. In 2022, Emmeti grew strongly supported by Italy's generous energy renovation subsidies, but a clear growth trend in previous years is not visible in Emmeti (however, we do not know the figures for 2016-2020 or their background). Hewing is more component production and Sigarth is a rather small company in the complementary product category, so we do not see them as strategically important and we do not have sufficient information to evaluate their economic success.

Financial objectives 1/ 2

Financial objectives (published in November 2021)

Organic net sales growth exceeding market growth

- Purmo estimates that typical market growth is 2-4%
- Historically, Purmo's net sales have developed organically weakly, mainly due to the decrease in radiator volumes. We believe that radiator development will continue to depress growth and that other areas will grow faster
- With the current structure, we feel that growing more strongly than the overall market is challenging
- Purmo also has a clear objective for inorganic growth

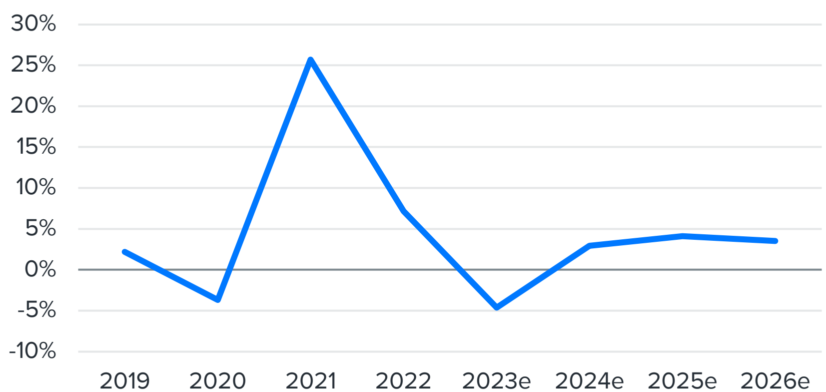
Over 15% adjusted EBITDA in the medium and long term

- The company's profitability target refers to a 3-5-year horizon
- We consider the profitability target challenging, as the company has at best been able to reach a margin of under 13% in 2020 and, historically, the margin has been around 10%
- We, therefore, believe that it is also difficult to achieve this objective with the present structure
- The company in undergoing a significant efficiency program, which should support profitability by EUR 40 million in 2023-24 and thus move the margin toward the target level

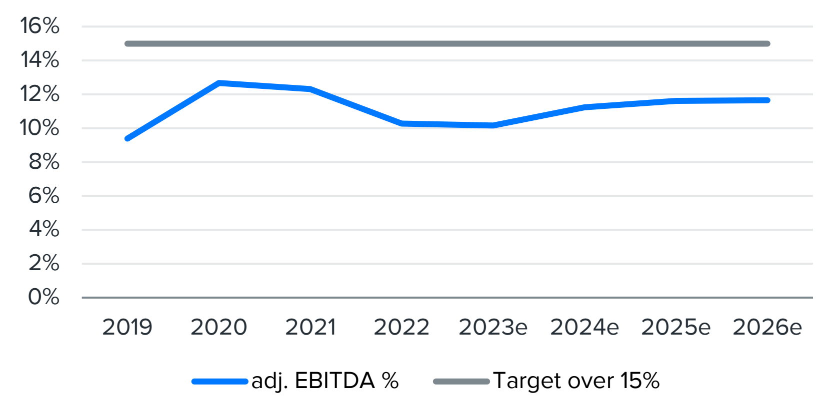
Net debt/adj. EBITDA under 3x

- The net debt/adj. EBITDA target of under 3x is, in our opinion, quite typical and should also provide opportunities for acquisitions
- The company's cyclicality brings variation to the net debt/adj. EBITDA ratio
- At the end of 2022, indebtedness was at the top end of the target and the company issued a hybrid bond (which is not included in the company's liabilities) early in the year to strengthen its balance sheet
- We believe that indebtedness will fall to 1.5-2x in 2024-26

Net sales growth



Adjusted EBITDA margin



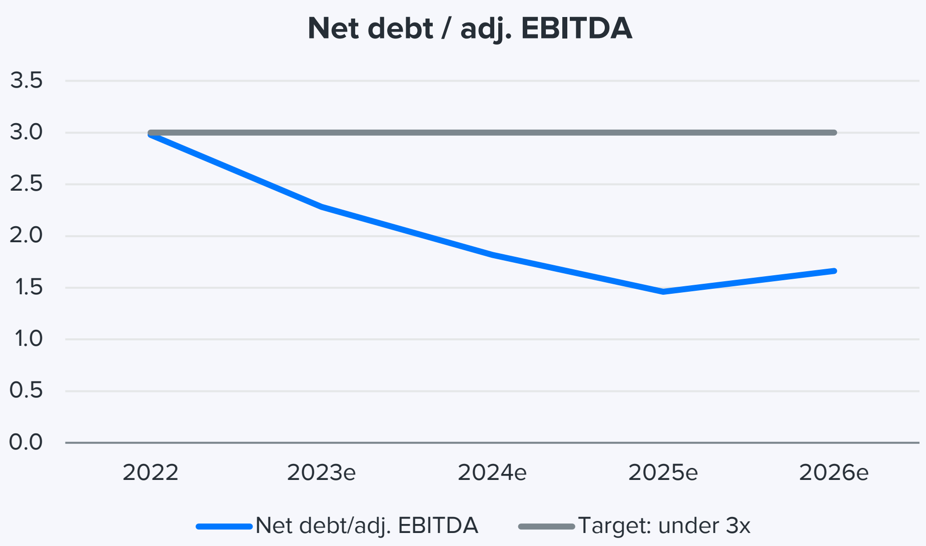
Financial objectives 2/ 2

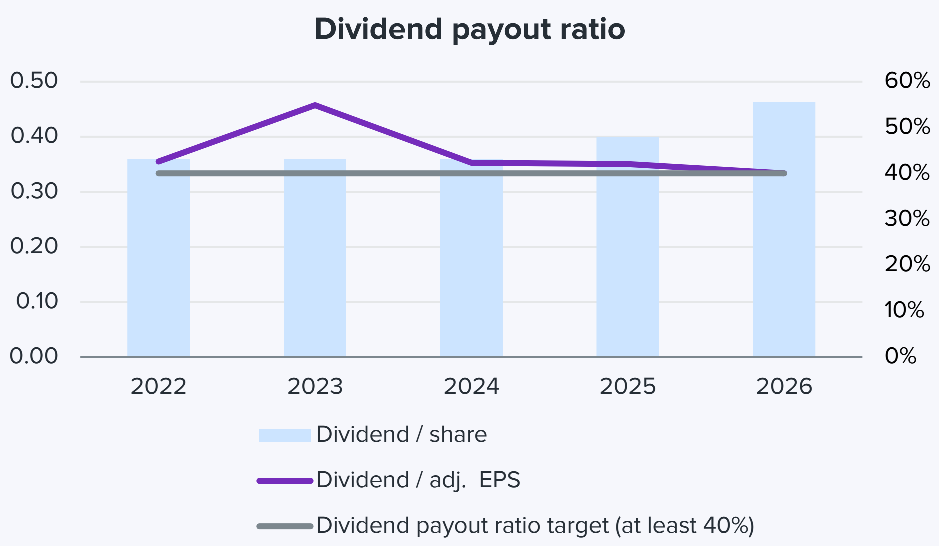
Over 40% dividend payout ratio targeted

Purmo's objective is also to distribute at least 40% of the profit as dividends or capital returns. 2022 was Purmo's first year as a listed company, but the company had distributed a dividend of EUR 0.36 for 2021. Despite the weakened result, the company retained this dividend level, which was just over 40% of the adjusted EPS. We believe that the same dividend level will also hold in 2023-24. From 2025 onwards, we see that the dividend will rise with earnings and the dividend payout ratio remains at around 40%.

The hybrid bond improves balance sheet figures, but is likely to be repaid in three years

Purmo issued a EUR 60 million hybrid bond with a 9.5% interest in February 2023. The hybrid bond is treated as equity in IFRS accounting, so it is not shown in reported liabilities. In practice, however, it is a loan with a first redemption date three years after the issuance, i.e. in early 2026. If we included the hybrid in net debt, net debt/adj. EBITDA at the end of this year, would be at the top of the company's target level, i.e. 3,0x, but would fall to 2.0-2.5x in 2024-25.





Past development

Growth has been challenging in the past

As Purmo was only listed at the beginning of last year, it does not have many years of reported history as an independent company. However, Purmo has long been part of the Rettig Group, which has reported Purmo's (previously Rettig ICC) net sales and some kind or earnings figure since the turn of the millennium.

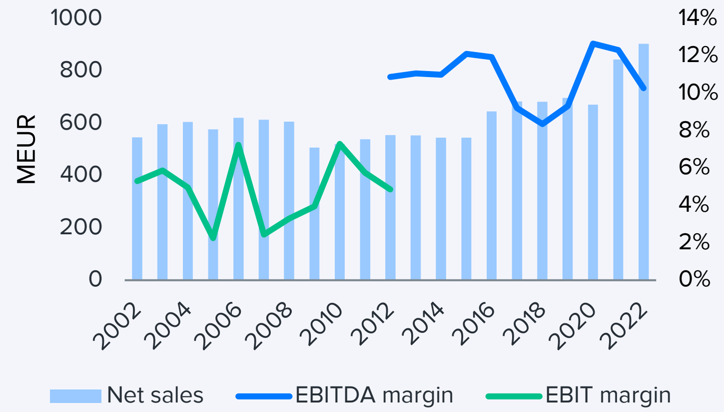
Looking at these figures, we quickly see that Purmo's historic challenge has been a lack of growth. As we have pointed out before, Purmo was focused on radiators for a long time and their market has been in a downward trend at least for 10-15 years. Purmo's net sales have roughly fluctuated between EUR 500-600 million in 2002-2015, when the Emmeti acquisition increased net sales by good EUR 100 million and took Purmo more strongly into indoor climate systems. Purmo also made other smaller acquisitions in this period, so we estimate that organic growth has been negative. After this, net sales were again relatively stable at EUR 650-700 million in 2016-2020, until strong demand and high inflation in 2021-22 increased net sales to EUR 900 million last year.

As regards profitability, the reported figures have not been based on the same methodology and different accounting practices may also reduce their comparability with current earnings figures. However, historical figures show that the average adjusted EBIT margin in 2002-12 was around 5 %, i.e. at a relatively low level. This level describes the radiator business, which Purmo was almost exclusively involved in at the time. Since then, Purmo has reported an EBITDA margin that may have included non-recurring items. Thus, the information value of these figures is limited, but before the IFRS 16 amendment the average EBITDA margin was around 11% in 201-18. The IFRS 16 amendment supported Purmo's 2022 margin by about one percentage point.

Development in recent years has fluctuated

Purmo's earnings improved significantly from historical levels in 2020, when it made heavy cost savings at the beginning of the COVID pandemic, steel prices fell, it received some COVID subsidies and eventually the drop in demand/net sales was rather moderate. Adjusted EBITDA rose to EUR 85 million, while it had been about EUR 60 million in previous years. This was followed by very strong demand in 2021, when net sales grew strongly, and the company also clearly improved operational efficiency, which brought earnings to a new record level, with an adjusted EBITDA of over EUR 100 million. In 2022, inflation increased raw material prices dramatically and Purmo made large price increases. At the same time, radiator volumes fell clearly, which weakened profitability and adjusted EBITDA fell to good EUR 90 million. Due to the exceptional nature of recent years, changes in the company and the insufficiency of historical figures, it is challenging to find a clear 'normal' earnings or margin level for the company.

Purmo's historical development



Source: Rettig, Purmo, Inderes

Financial position

Considerable goodwill in the balance sheet

Purmo's balance sheet total at the end of 2022 was good EUR 980 million. Because Purmo has been active in acquisitions in the past, its balance sheet contains a significant amount of goodwill, about EUR 370 million or close to 40% of its balance sheet total. If the company's profitability develops poorly, this exposes the company to a significant write-down risk. At the end of the year, the company had equity of about EUR 400 million, so a write-down could also be a clear risk in terms of the key figures of the balance sheet.

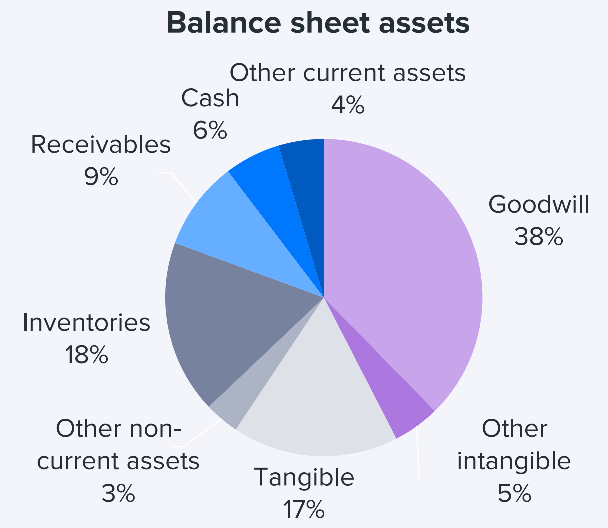
Otherwise, we feel the company's assets are quite typical of a company that owns its own production, i.e. some tangible assets and a reasonably large proportion of the balance sheet in inventories and receivables (27% in total). On the debt side, accounts payable represent 20%, so net working capital is about 7% of net sales. As we mentioned earlier, working capital was tied up in 2021-22 and we believe that this year the company will be able to release some working capital.

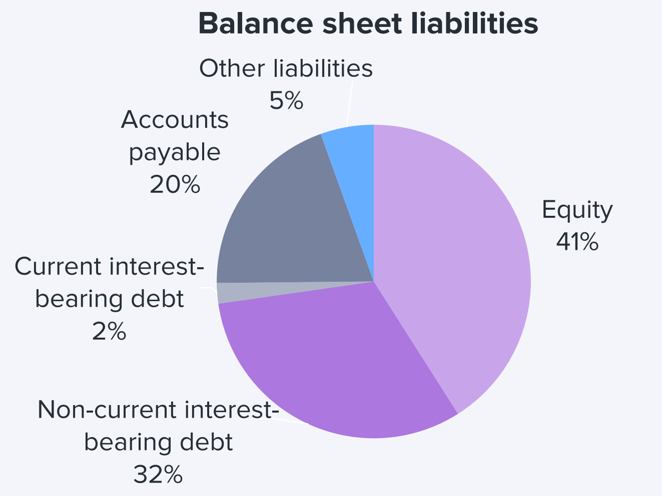
The debt and equity side is quite clear. At the end of 2022, equity stood at good 40%, i.e. equity is at a good level, with interest-bearing liabilities representing about one third. However, at the beginning of the year, the company issued a hybrid bond, which is recognized as equity in accounting and thus accounting-wise strengthens it.

The hybrid bond supports reported indebtedness

Purmo issued a EUR 60 million hybrid bond with a 9.5% interest in February 2023. The hybrid bond is subordinate to other loans (e.g. in the order of collection and interest payment) and is treated as equity in IFRS accounting, so it is not shown in reported liabilities. Its interest expenses depress cash flow and EPS. In practice, however, the hybrid is a loan with a first redemption date three years after the issuance, i.e. in early 2026. If the company does not redeem the loan at that time, its interest rate will rise by about 5 percentage points. In practice, therefore, the loan is most likely redeemed at that time and re-financed with ordinary debt. If the company's situation has not developed as expected, we also think it is possible to launch a new hybrid in a little under three years.

Without the hybrid bond, the company would probably have exceeded 3x net debt/adj. EBITDA target in early 2023. This will not be the case with the help of the hybrid bond, which is a good thing especially for the other creditors of the company and is likely to keep Purmo's interest expenses at a more favorable level for the old loans. As the hybrid bond temporarily supports the balance sheet we expect Purmo will try to strengthen it, which we believe limits, e.g., the upside in dividends and acquisition possibilities in the next few years. If we included the hybrid in net debt, net debt/adj. EBITDA at the end of this year, would be at the top of the company's target level, i.e. 3,0x, but would fall to 2.0-2.5x in 2024-25. With the hybrid bond, we believe the reported net debt/adj. EBITDA level will remain at 1.5x-2.5x in the next few years.





Source: Purmo, Inderes

Estimates 1/4

Estimates start with the segments

We model Purmo through its two divisions. We estimate organic growth and through that net sales growth and adjusted EBITDA. Naturally, we also consider non-recurring items if they are known in advance. In addition, we estimate the gross margin and fixed costs at Group level.

Company guidance indicates that 2023 EBITDA will be at last at year's level

Purmo's guidance for 2023 is that it expects the adjusted EBITDA to be on a similar level to 2022 (92.9 MEUR). Similar level means a +/- 5% change from the previous year. This means the estimate range is around EUR 88-98 million.

We expect a slight decrease in net sales and adj. EBITDA in 2023

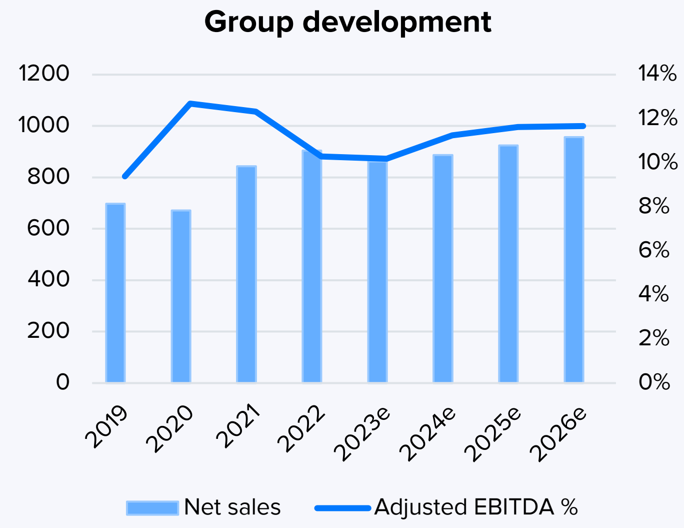
Our net sales estimate is EUR 862 million, or 5% down on last year. We expect net sales to fall slightly in the Climate Products & Systems division due to the decrease in both radiators and other products. We expect the net sales of the Solutions division to remain at the good level of the previous year, despite declining construction activity. We believe that net sales and earnings will still decrease clearly from the comparison period in early 2023 mainly due to strong comparison figures. Compared to H2'22, we estimate fairly stable development in H1'23.

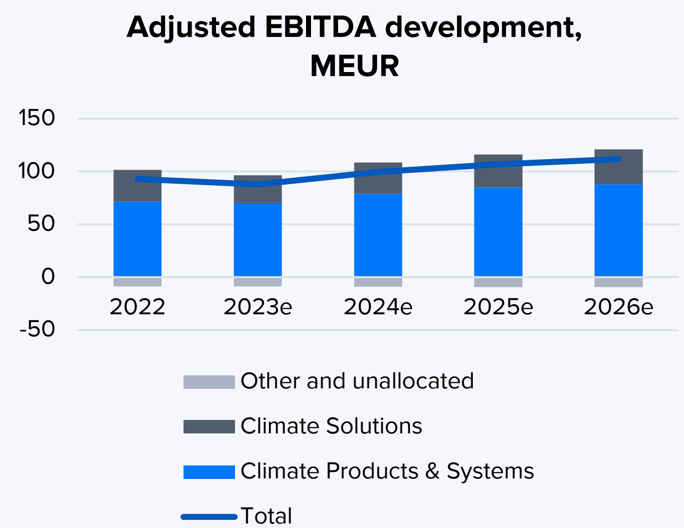
In terms of earnings development, we expect the adjusted EBITDA of the CPS division to decrease only slightly (70 MEUR vs. 2022: 72 MEUR), as the efficiency measures support profitability even if net sales decrease. By contrast we expect the profitability of the Solutions division to fall from the strong level in 2022 and adjusted EBITDA to decrease by good EUR 3 million. Our adjusted EBITDA estimate for the whole company is EUR 88 million and thus at the bottom end of the guidance range.

Both Purmo and its peers have said that they expect H2 to be better than H1 and therefore follow typical seasonality. In our estimates, the H223 figures show growth in both net sales and earnings from the comparison period. We believe that distributors' destocking that especially plagued the radiator market in late 2022 has leveled out in early 2023. However, the general decline in construction activity turns the market outlook negative this year.

At Group level, earnings development is in our estimates supported by a slight improvement in the gross margin (23.0% vs. 22.5% in 2022). We expect the company's overall cost management and efficiency improvement program to improve the gross margin. We expect fixed costs to remain at last year's level in absolute terms, but with negative net sales development, fixed costs relative to sales increase in our estimates, and adjusted EBITDA% will remain roughly at previous year's level (10.2% vs. 2022: 10.3%). We do not expect major changes in the company's depreciation levels in the coming years.

The over EUR 30 million non-recurring costs related to the efficiency program depress Purmo's reported result this year, which we expect to be negative at net profit level.





Estimates 2/4

EPS and dividend in 2023

The weakening operating result and increased financial expenses, including the hybrid bond, also pushes the adjusted EPS to a clear decline this year. We estimate it to be EUR 0.66 (2022: 0.85). We believe that Purmo's dividend per share will remain unchanged despite the lower result, as the payout ratio on the adjusted result is still at a reasonable level of good 50%. Considering the weakish balance sheet we do, however, see a risk that the dividend must be cut if this year's result and/or next year's outlook prove worse than anticipated.

Net sales growth estimates 2024-26

Purmo's financial objectives include faster net sales growth than market growth, which can be interpreted to on average mean 3-5% per year. We believe that net sales growth will make an upturn after the weak 2022-23 mainly as the market recovers. We estimate 2-4% growth in the CPS division in 2024-26 and 6% in the Solutions division. The total annual growth rate for the company is 3-4%.

Our profitability estimates expect improvement, but clearly below the company's targets

Purmo aims at 15% adjusted EBITDA margin within 3-5 years. The targets were originally published at the end of 2021, so the original target period was 2025-26. We see the target as very ambitious because the company has never achieved such a high profitability level with the best performance being 12-13% in 2020-21. We consider these years exceptional in many ways and estimate that the company will reach 11.5-12% in 2025-26. We expect that the Solutions division can reach an EBITDA margin of over 15% in 2024 and this division's growth will support the Group's profitability improvement. In the CPS division, we see the efficiency program driving the margin improvement, but the level will be slightly below 12% in 2025-26. Group costs push the company's profitability slightly lower than what could be expected based on the figures of the two divisions.

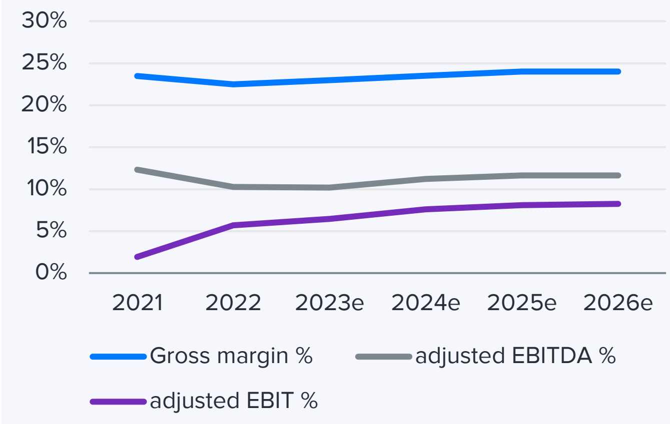
We find the company's efforts to improve profitability sensible, but despite these efforts we believe the historically weak profitability level of radiators, weak growth and tight competition will continue to depress the company's growth and profitability profile in the coming years.

At Group level, we expect the gross margin to improve further from 23% this year to 24% in 2025-26 as the efficiency program improves, e.g., pricing and production efficiency. However, in 2025, we expect the absolute adjusted EBITDA to reach a new record level when it exceeds the EUR 104 million top level of 2021.

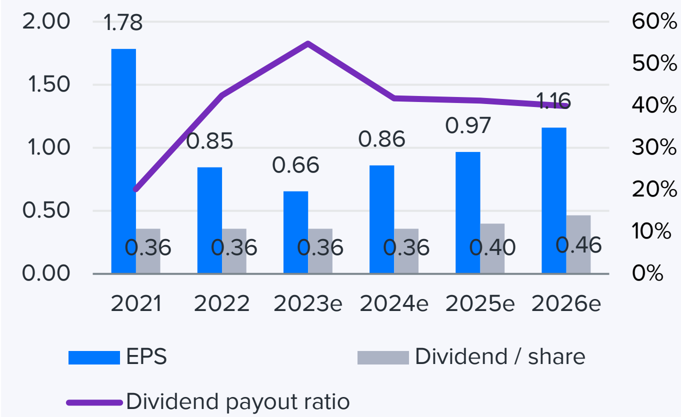
EPS and dividend in 2024-26

We estimate that with the EBITDA/EBIT growth and gradually decreasing financing costs, EPS will increase strongly by about 30% in 2024 and continue as strong at 11% in 2025 and over 20% in 2026 (assuming the hybrid is repaid). We expect the dividend to rise in 2025 with the result, while the payout ratio is around 40%.

Development of margin structure



EPS and dividend estimates (EUR)



Estimates 3/4

Cash flow and investments

We estimate that working capital that grew in 2021-22 will be released mainly during 2023 and partly also in 2024 and support a very strong free cash flow of around EUR 30 million this year. This year, we expect good EUR 30 million in working capital to be released, which is roughly the same amount as the non-recurring costs of the efficiency program. As a result, cash flow levels in the next few years are roughly the same, even though they consist of different components, as earnings growth supports future years.

As we mentioned earlier, Purmo's production is not very capital intensive, and we do not see investments needs that would substantially exceed the depreciation level (~30 MEUR p.a.). This could change if Purmo itself decided to invest in manufacturing a product, which it does not currently manufacture. We estimate that Purmo's sustainable free cash flow level is about EUR 40-45 million.

The balance sheet strengthens in our estimates

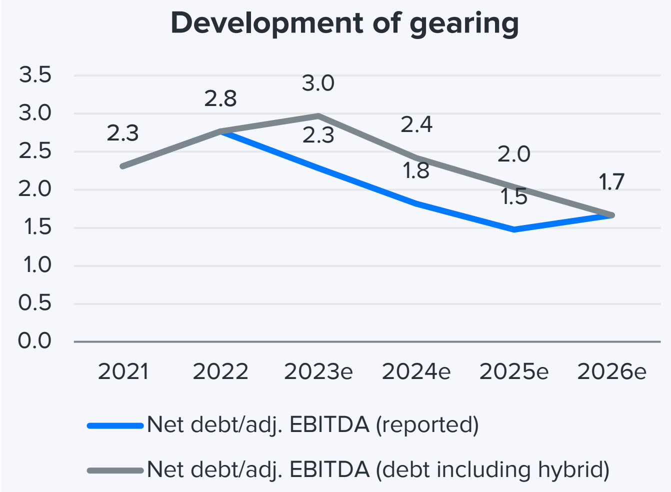
Purmo currently has a relatively weak balance sheet position, which it patched up with a hybrid bond issued at the beginning of the year. Through positive cash flow and improving earnings, we estimate that Purmo will be able to repay the hybrid bond in 2026. In our estimates net debt/adjusted EBITDA remains within the 1.5x-2.0x range in 2024-26, which is a good level and clearly meets the company's target of 3x at most. Our estimates do not include acquisitions to which the cash flow generated by the business could be channeled to boost growth. We find this likely within 3-5 years, but right now the balance sheet does not allow for major acquisitions and, according to the company, interesting deals have not been available, even though it has been actively looking at targets in the past year. Purmo also clearly tries to be a good dividend payer, so the payout ratio could be raised in the longer term if no acquisitions are found, but we believe that this will happen at the earliest after the hybrid bond has been repaid in 2026.

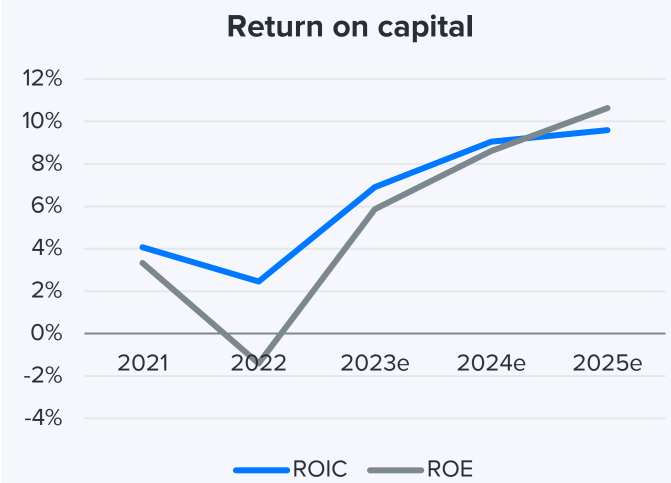
Average return on capital

In our estimates, Purmo's ROIC fluctuates on both sides of 9% in the next few years (non-recurring items depress 2022-23 figures). Due to the debt leverage, ROE is slightly better, i.e., around 10%. These are close to our required ROE (~10%) and WACC (8.6%). Return on capital is depressed by the company's history of growing through acquisitions, which has brought significant goodwill to the balance sheet.

Longer-term estimates

From 2027 onwards, we expect Purmo's net sales growth to be a moderate 2.5%. This is because we believe that radiators will slow down growth also in the longer term due to their weak market development. The declining growth rate and natural competition in the market also leads to a faltering profitability in our estimates from the 2026 level (good 8% EBIT margin) gradually towards the 7% level we expect from 2030 onwards.





Estimates 4/4 - estimate decreases with the hybrid bond

Operational estimates unchanged

We have, in practice, maintained our actual operational estimates unchanged, with the exception of cosmetic changes to 2025 earnings estimates. We have included the interest rates of the hybrid bond (close on 6 MEUR per year) in the EPS estimates, which decreased them significantly. Partly as a result of this, and the generally weak balance sheet position, we also cut dividend estimates and now expect the dividend to be at the current level also in 2023 and 2024.

Income statement	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Net sales	**697**	**671**	**844**	**904**	**862**	**887**	**924**	**956**
Growth %	2 %	-4 %	26 %	7 %	-5 %	3 %	4 %	4 %
Gross margin			198	203	198	209	222	229
Gross margin %			23.5 %	22.5 %	23.0 %	23.5 %	24.0 %	24.0 %
Adjusted EBITDA	**65.4**	**85.1**	**103.9**	**92.9**	**87.7**	**99.7**	**107.3**	**111.4**
Adjusted EBITDA	**9.4 %**	**12.7 %**	**12.3 %**	**10.3 %**	**10.2 %**	**11.2 %**	**11.6 %**	**11.7 %**

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	862	862	0%	888	887	0%	924	924	0%
Käyttökate ilman kertaeriä	87.7	87.7	0%	100	100	0%	107	107	-1%
EBIT	21.7	21.7	0%	57.6	57.6	0%	75.1	74.6	-1%
PTP	1.7	1.7	1%	41.6	41.6	0%	60.1	59.6	-1%
EPS (excl. NRIs)	0.77	0.66	-14%	0.99	0.85	-14%	1.08	0.94	-13%
DPS	0.36	0.36	0%	0.38	0.36	-5%	0.44	0.40	-9%

Source: Inderes

Valuation 1/3

Summary - recommendation and target price

We reiterate our Accumulate recommendation and EUR 9.5 target price for Purmo. Our positive view is supported by the estimated annual growth of around 4% and dividend yield of 4-5%, which together provide 8-10% expected return for the next few years. This slightly exceeds our required return.

Many valuation methods are suitable for Purmo

We use both earnings-based multiples and the sum of the parts calculation when pricing Purmo, as well as peer valuation as a supporting tool. We also assess Purmo through its return on capital and balance sheet valuation. We believe the DCF model provides good support for the valuation of Purmo.

Earnings-based valuation looks fair

Purmo's historical profile is of a company with relatively weak growth and average profitability. We believe the company's valuation level is negatively affected at least by the fact that nearly half of its sales come from radiators, where the market has been structurally declining for a long time and stable development is expected for the next few years. In addition, the company's return on capital is average, reflecting historically weak capital allocation (a large amount of goodwill in the balance sheet). The company now aims to focus on growing segments in heating and cooling solutions, but we do not believe the company will be able to achieve significant (over 5%) sustainable net sales growth with its current structure. Acquisitions create an opportunity to accelerate growth, but these are unlikely in the near future, at least on a significant scale.

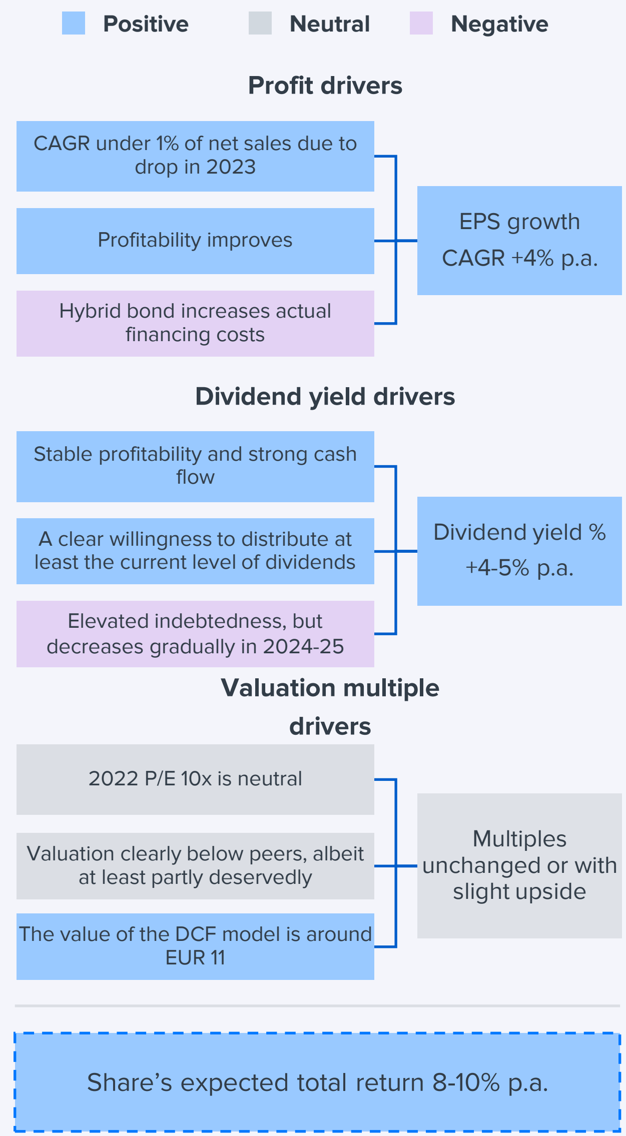
We believe the acceptable valuation level for Purmo's share is P/E 10-12x and EV/EBIT 9-11x. This includes an assumption of a positive earnings trend from 2024 onwards. If we were convinced that the company could achieve its margin target in the medium term, the valuation could be higher, as faster earnings growth in the coming years would compensate for it.

The company's valuation for this year is P/E around 13x and EV/EBIT around 11x, considering the hybrid bond and its interest rates in EPS. So the valuation is at the top of the acceptable multiple range. However, the expected earnings growth pushes multiples down to the bottom end of the acceptable range in 2024. It is also worth noting that with our estimates the company can repay the hybrid bond in 2026, which reduces the company's interest expenses.

DCF valuation

The lack of historical financial information and changes in the focus of the business make it difficult to determine Purmo's DCF. However, due to the moderate growth profile and relatively stable profitability, the DCF model is, in our opinion, suitable for Purmo as such. Our estimates also for the longer term were already discussed in the estimates section above. The weight of the terminal period is around 50% in our model.

TSR drivers 2022-2025



Valuation 2/3

Our required return on capital (WACC) for Purmo is about 8.5% and the cost of equity is around 10%. The lowish WACC is supported by relatively stable business operations and the use of debt leverage, while a higher cost of equity is supported by, e.g., business cyclicality.

Our DCF model indicates that Purmo's debt-free value is about EUR 750 million and the value of the share capital is about EUR 470 million, or about EUR 11 per share. The DCF model assumes that profitability improves from the current level and that good cash flow improves the debt situation in the coming years, which enables, e.g., repayment of the hybrid bond. We put more weight on the multiples of the next few years when defining the target price, but the DCF model shows the company's potential in the longer term.

Balance sheet-based valuation is at an acceptable level

With our estimates Purmo's return on capital will remain average even in the medium term, with the total return on capital below 10% and a return on equity on both sides of 10%. Therefore, a P/B ratio of 1.0x or even slightly below seems justified for the company. However, the hybrid bond must be adjusted from the figures, which has been recognized as equity, although we believe that it is in practice a debt. Considering this, the current P/B valuation is about 0.9x. Purmo's book value for this year (excluding the hybrid bond) is approximately EUR 9, which would be the fair value with P/B 1.0x. The return on capital is depressed by the large amount of goodwill that the company has generated from acquisitions.

Valuation below the peer group

We have used listed European construction product companies that operate to some extent in the same business as Purmo in the peer group. We do not feel there is a direct peer for Purmo.

The clearest single peer is the British Stelrad that focuses on radiators. Radiators are also sold by Swiss Arbonia and Zehnder that also have other HVAC business and Arbonia has a significant share of other products.

In underfloor heating products, the best peer is Finnish Uponor, although it represents a minority of Uponor's business, and thus is not a direct peer based on Group indicators. Our peer group also includes Swedish Nibe, Lindab and Systemair that sell various HVAC products, such as heat pumps and air conditioning products. The small Swedish solution provider Ecoclime and the British Volution that focuses on air conditioning are also part of our peer group.

The median EV/EBIT ratios for the peer group in 2023 and 2024 are 17x and 13x. With our estimates, Purmo's corresponding ratios are 11x and 9x, which are about 30 % below the peer group. The peer group's median P/E ratios for 2023 and 2024 are 17x and 14x. Purmo's corresponding ratios are 13x and 10x, which also indicates a discount of about 30%.

Valuation	2023e	2024e	2025e
Share price	8.32	8.32	8.32
Number of shares, millions	42.7	42.7	42.7
Market cap	355	355	355
EV	675	656	631
P/E (adj.)	12.7	9.7	8.6
P/B	0.8	0.8	0.7
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.7	0.6
EV/EBITDA	7.0	6.0	5.3
EV/EBIT (adj.)	11.0	8.8	7.7
Payout ratio (%)	neg.	55.8 %	40.1 %
Dividend yield-%	4.2 %	4.2 %	4.7 %

Source: Inderes

Valuation 3/3

Purmo's earnings-based valuation is clearly cheaper than the peer group, regardless of year and indicator. Some of the peers are clearly more supported by the demand for, e.g., heat pumps or other energy efficiency solutions than Purmo, which is why we find Purmo's lower valuation to be justified. The high share of radiators with weaker growth also depresses the valuation compared to the peers. The discount is therefore deserved, although its magnitude is already quite high.

Sum of the parts value higher than current share price

Purmo's reporting was still divided into Radiators and ICS divisions in 2022 figures. We believe that this clear division into different profile activities provides a good basis for a sum of the parts valuation. We believe that the main competitor for the Radiators segment, and thus the closest peer, is Stelrad, whose 2023 EV/EBITDA ratio (good 6x) we use directly to determine the value of the division. We use a broader peer group for the ICS division, i.e. in practice the entire peer group of the company from which we have removed Stelrad and Arbonia that operate more in radiators. These peers give ICS an EV/EBITDA ratio of around 12x. By using the 2022-24e EBITDA average for Purmo's (former) divisions, the fair value of Purmo's share is around EUR 13.5. We feel the multiple for ICS peers is quite high and that the ICS segment with a more moderate growth outlook than the peers does not deserve the same multiples. Even if we lowered ICS' valuation multiples to EV/EBITDA 10x, the sum of the parts would still indicate a fair value of nearly EUR 11 per share as we reach the current share price level with a ratio of around 8x for ICS.

Especially the high share of radiators and the lower growth profile resulting from this, therefore, depresses the valuation of the entire company. We do not believe that Purmo will start divesting parts of the company, so in that sense the sum of the parts value is unlikely to materialize. However, we feel it provides a useful angle for valuation.

Dividend yield likely to remain stable

We believe that Purmo has a clear desire to be a reasonably good dividend payer, but we feel the balance sheet limits its ability to increase absolute dividends in the coming years. We expect the absolute dividend to remain at the current level in the next few years, which means an increase in the dividend payout ratio to about 55% this year. This will, however, fall to around 40% in 2024 and we believe that the earnings growth will enable higher dividends to be paid from the 2025 result. This means a dividend yield of 4-5% over the next few years.

Share may double if the company meets its targets

The company has ambitious financial targets on a 3-5-year horizon. If we assume that Purmo reaches its 15% adjusted EBITDA margin target in 2026 (using our current net sales estimate), it would generate EBITDA of good EUR 140 million and EPS of around EUR 1.75. If the company would then be priced at 11x P/E, the calculated value of the share would be EUR 19 in 2026, which is double the current price. However, as we have already mentioned, our estimates are clearly below the target level.

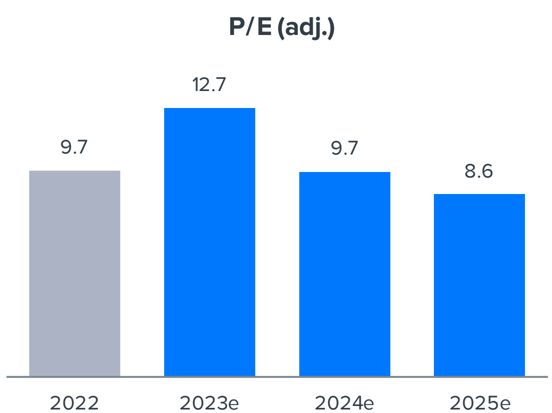
Sum of the parts	Value, MEUR	Valuation method
Radiators	322	Stelrad EV/EBITDA 2023
ICS	596	Peer group EV/EBITDA 2023
Other	-80	EV/EBITDA 10x
EV total	837	
Net debt at end of 2023	260	Includes hybrid
Share capital	577	
per share	13.5	

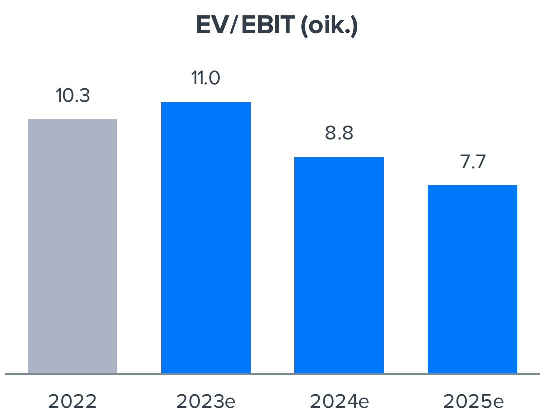
Source: Inderes

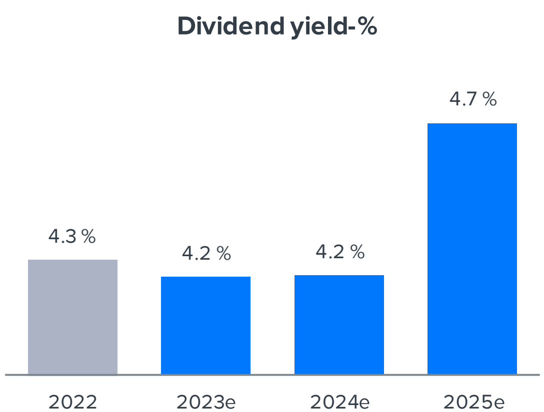
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price					8.22	8.32	8.32	8.32	8.32
Number of shares, millions					41.2	42.7	42.7	42.7	42.6
Market cap					351	355	355	355	355
EV					627	675	656	631	539
P/E (adj.)					9.7	12.7	9.7	8.6	7.2
P/B					0.9	0.8	0.8	0.7	0.8
P/S					0.4	0.4	0.4	0.4	0.4
EV/Sales					0.7	0.7	0.7	0.6	0.6
EV/EBITDA					6.8	7.0	6.0	5.3	4.8
EV/EBIT (adj.)					10.3	11.0	8.8	7.7	6.8
Payout ratio (%)					112.9 %	neg.	55.8 %	40.1 %	40.0 %
Dividend yield-%					4.3 %	4.2 %	4.2 %	4.7 %	5.6 %

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Liikevaihto		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Nibe Industrier AB	20398	20976	34.2	31.0	27.3	24.7	5.1	4.7	44.7	40.1	0.7	0.7	7.4
Lindab International AB	1080	1356	13.9	12.1	9.5	8.7	1.2	1.2	14.9	13.0	2.8	3.2	1.7
Systemair AB	1591	1818	18.0	16.6	12.9	12.4	1.7	1.6	23.6	21.2	1.4	1.5	3.8
Uponor Oyj	1240	1363	10.8	9.5	7.6	7.0	1.0	1.0	15.0	13.8	4.2	4.3	2.5
Arbonia AG	758	943	16.7	13.3	7.3	6.5	0.7	0.7	20.7	15.7	3.1	3.5	0.8
Volution Group PLC	962	1062	16.1	15.5	12.2	11.9	2.9	2.8	17.6	16.9	1.8	1.8	
Zehnder Group AG	1469	1442	19.0	16.8	14.3	12.9	1.7	1.7	14.8	13.0	2.6	2.8	2.4
Stelrad Group PLC	178	272	8.4	7.4	6.0	5.4	0.7	0.7	9.3	7.5	4.3	5.4	
Ecoclime Group AB	20	17	40.3	7.3	15.2	5.1	0.6	0.5	89.3	10.3			0.9
Purmo Group (Inderes)	**355**	**615**	**11.0**	**8.8**	**7.0**	**6.0**	**0.7**	**0.7**	**12.7**	**9.7**	**4.2**	**4.2**	**0.8**
Average			**19.7**	**14.4**	**12.5**	**10.5**	**1.8**	**1.7**	**27.8**	**16.8**	**2.6**	**2.9**	**2.8**
Median			**16.7**	**13.3**	**12.2**	**8.7**	**1.2**	**1.2**	**17.6**	**13.8**	**2.7**	**3.0**	**2.4**
Diff-% to median			***-34%***	***-34%***	***-43%***	***-31%***	***-42%***	***-44%***	***-28%***	***-30%***	***56%***	***40%***	***-67%***

Source: Refinitiv / Inderes

Income statement

Income statement	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**236**	**245**	**216**	**207**	**904**	**210**	**218**	**217**	**217**	**862**	**887**	**924**	**956**
Climate Products & Systems	195	192	171	163	721	165	170	172	172	679	693	718	738
Climate Solutions	42	53	45	44	184	45	48	45	45	183	194	206	218
EBITDA	**29.3**	**24.3**	**18.5**	**6.3**	**78.4**	**9.3**	**12.8**	**15.3**	**16.3**	**53.7**	**89.7**	**106.8**	**111.7**
EBITDA (adj.)	**29.2**	**27.8**	**19.6**	**16.3**	**92.9**	**18.9**	**21.5**	**24.0**	**23.4**	**87.7**	**99.7**	**106.8**	**111.7**
Depreciation	-15.2	-8.4	-8.0	-7.9	-39.4	-8.0	-8.0	-8.0	-8.0	-32.0	-32.2	-32.3	-32.4
EBIT (excl. NRI)	**21.6**	**19.5**	**11.5**	**8.1**	**60.7**	**11.3**	**12.8**	**15.3**	**16.3**	**55.7**	**67.6**	**74.6**	**79.3**
EBIT	**14.1**	**15.9**	**10.5**	**-1.5**	**39.0**	**1.3**	**4.8**	**7.3**	**8.3**	**21.7**	**57.6**	**74.6**	**79.3**
Climate Products & Systems (oik. EBITDA)	22.9	21.2	15.3	12.3	71.7	15.0	16.0	19.0	20.0	70.0	79.0	85.0	88.0
Climate Solutions (oik. EBITDA)	8.5	8.7	6.4	6.3	29.9	6.5	7.0	6.5	6.5	26.5	29.7	31.0	33.0
Other	-2.1	-2.1	-2.1	-2.4	-8.7	-2.2	-2.2	-2.2	-2.2	-8.8	-9.0	-9.2	-9.3
Share of profits in assoc. compan.	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
Net financial items	-2.8	-3.0	-4.3	-7.3	-17.4	-5.0	-5.0	-5.0	-5.0	-20.0	-16.0	-15.0	-13.8
PTP	**11.3**	**12.9**	**6.2**	**-8.8**	**21.6**	**-3.7**	**-0.2**	**2.3**	**3.3**	**1.7**	**41.6**	**59.6**	**65.5**
Taxes	-4.8	-4.5	-0.9	1.8	-8.4	-0.5	-0.5	-1.0	-1.0	-3.0	-9.1	-12.5	-15.1
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
Net earnings	**6.5**	**8.4**	**5.3**	**-7.0**	**13.2**	**-4.6**	**-2.1**	**-0.1**	**0.9**	**-6.0**	**26.7**	**41.4**	**49.5**
EPS (adj.)	**0.34**	**0.29**	**0.15**	**0.06**	**0.85**	**0.13**	**0.14**	**0.18**	**0.21**	**0.66**	**0.86**	**0.97**	**1.16**
EPS (rep.)	**0.16**	**0.20**	**0.13**	**-0.17**	**0.32**	**-0.11**	**-0.05**	**0.00**	**0.02**	**-0.14**	**0.63**	**0.97**	**1.16**

Key figures	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23e	Q2'23e	Q3'23e	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	24.0 %	15.5 %	-1.0 %	-7.1 %	7.2 %	-11.0 %	-10.9 %	0.4 %	5.0 %	-4.6 %	2.9 %	4.1 %	3.5 %
Adj. EBITDA growth-%	0.3 %	3.8 %	-22.8 %	-27.9 %	-10.6 %	-35.4 %	-22.9 %	22.2 %	43.8 %	-5.6 %	13.7 %	7.1 %	4.5 %
EBITDA-%	12.4 %	9.9 %	8.6 %	3.1 %	8.7 %	4.4 %	5.9 %	7.0 %	7.5 %	6.2 %	10.1 %	11.6 %	11.7 %
Adjusted EBITDA-%	12.4 %	11.4 %	9.1 %	3.9 %	10.3 %	9.0 %	9.8 %	11.0 %	10.8 %	10.2 %	11.2 %	11.6 %	11.7 %
Net earnings-%	2.8 %	3.4 %	2.5 %	-3.4 %	1.5 %	-2.0 %	-0.3 %	0.6 %	1.1 %	-0.2 %	3.7 %	5.1 %	5.3 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**602**	**619**	**615**	**615**	**614**
Goodwill	369	371	371	371	371
Intangible assets	36.3	47.0	45.0	43.2	41.5
Tangible assets	163	167	169	170	172
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	7.2	5.6	5.6	5.6	5.6
Deferred tax assets	26.5	29.2	25.0	25.0	25.0
Current assets	**444**	**365**	**381**	**379**	**414**
Inventories	157	174	155	151	157
Other current assets	31.7	45.4	30.0	30.0	30.0
Receivables	77.1	89.1	86.2	88.7	92.4
Cash and equivalents	178	56.3	110	109	134
Balance sheet total	**1046**	**984**	**996**	**993**	**1028**

Source: Inderes

Vuosi 2021 Pro forma

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**391**	**403**	**442**	**454**	**481**
Share capital	3.1	3.1	3.1	3.1	3.1
Retained earnings	6.6	24.4	3.5	15.3	41.8
Hybrid bonds	0.0	0.0	60.0	60.0	60.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	381	376	376	376	376
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**351**	**346**	**313**	**293**	**283**
Deferred tax liabilities	2.6	5.4	5.4	5.4	5.4
Provisions	7.6	7.8	7.8	7.8	7.8
Long term debt	316	312	280	260	250
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	24.7	20.1	20.1	20.1	20.1
Current liabilities	**304**	**235**	**240**	**246**	**264**
Short term debt	101	20.7	30.0	30.0	40.0
Payables	192	193	190	195	203
Other current liabilities	11.7	20.7	20.7	20.7	20.7
Balance sheet total	**1046**	**984**	**996**	**993**	**1028**

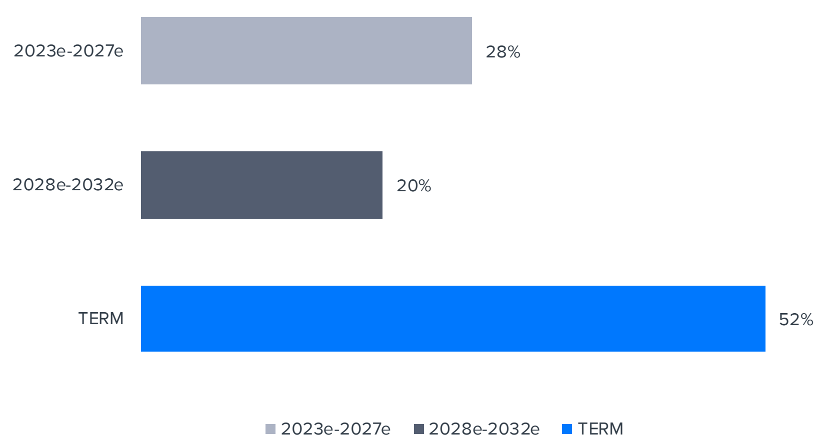
DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	7.2 %	-4.6 %	2.9 %	4.1 %	3.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	4.3 %	2.5 %	6.5 %	8.1 %	8.3 %	7.5 %	7.5 %	7.5 %	7.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	**39.0**	**21.7**	**57.6**	**74.6**	**79.3**	**73.5**	**75.3**	**77.2**	**73.9**	**75.7**	**77.2**	
+ Depreciation	39.4	32.0	32.2	32.3	32.4	32.4	32.5	32.5	32.5	32.5	32.9	
- Paid taxes	-8.3	1.2	-9.1	-12.5	-15.1	-13.9	-14.3	-14.8	-14.0	-14.4	-14.8	
- Tax, financial expenses	-5.0	-4.6	-3.5	-3.2	-3.2	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	
+ 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	-32.0	33.5	7.4	-1.8	-1.6	-1.2	-1.2	-1.3	-1.3	-1.3	-1.1	
Operating cash flow	**33.1**	**83.8**	**84.4**	**89.4**	**91.8**	**87.8**	**89.3**	**90.7**	**88.1**	**89.5**	**91.3**	
+ Change in other long-term liabilities	-4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-53.3	-32.0	-32.0	-32.0	-32.0	-32.0	-32.0	-32.0	-32.0	-34.2	-35.9	
Free operating cash flow	**-24.6**	**51.8**	**52.4**	**57.4**	**59.8**	**55.8**	**57.3**	**58.7**	**56.1**	**55.3**	**55.3**	
+/- Other	0.0	-4.7	-5.7	-5.7	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-24.6	47.1	46.7	51.7	58.8	55.8	57.3	58.7	56.1	55.3	55.3	866
Discounted FCFF		**44.3**	**40.5**	**41.3**	**43.3**	**37.9**	**35.8**	**33.8**	**29.8**	**27.1**	**25.0**	**390**
Sum of FCFF present value		749	705	664	623	580	542	506	472	442	415	390
Enterprise value DCF		**749**										
- Interesting bearing debt		-333										
+ Cash and cash equivalents		56										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**472**										
Equity value DCF per share		**11.1**										

WACC	
Tax-% (WACC)	23.0 %
Target debt ratio (D/(D+E)	25.0 %
Cost of debt	5.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	**10.1 %**
Weighted average cost of capital (WACC)	**8.5 %**

Source: Inderes

Cash flow distribution



Summary

Income statement	2022	2023e	2024e
Revenue	904.1	862.4	887.4
EBITDA	78.4	53.7	89.7
EBIT	39.0	21.7	57.6
PTP	21.6	1.7	41.6
Net Income	13.2	-6.0	26.7
Extraordinary items	-21.7	-34.0	-10.0

Balance sheet	2022	2023e	2024e
Balance sheet total	983.9	996.1	993.5
Equity capital	403.3	442.4	454.2
Goodwill	370.6	370.6	370.6
Net debt	276.8	200.1	180.8

Cash flow	2022	2023e	2024e
EBITDA	78.4	53.7	89.7
Change in working capital	-32.0	33.5	7.4
Operating cash flow	33.1	83.8	84.4
CAPEX	-53.3	-32.0	-32.0
Free cash flow	-24.6	47.1	46.7

Valuation multiples	2022	2023e	2024e
EV/S	0.7	0.7	0.7
EV/EBITDA (adj.)	6.8	7.0	6.0
EV/EBIT (adj.)	10.3	11.0	8.8
P/E (adj.)	9.7	12.7	9.7
P/B	0.9	0.8	0.8
Dividend-%	4.3 %	4.2 %	4.2 %

Source: Inderes

Per share data	2022	2023e	2024e
EPS (reported)	0.32	-0.14	0.63
EPS (adj.)	0.85	0.66	0.86
OCF / share	0.80	1.96	1.98
FCF / share	-0.60	1.10	1.10
Book value / share	9.79	10.37	10.65
Dividend / share	0.36	0.36	0.36

Growth and profitability	2022	2023e	2024e
Revenue growth-%	7%	-5%	3%
EBITDA growth-%	133%	-32%	67%
EBIT (adj.) growth-%	-18%	-8%	21%
EPS (adj.) growth-%	-53%	-22%	31%
EBITDA-%	8.7 %	6.2 %	10.1 %
EBIT (adj.)-%	6.7 %	6.5 %	7.6 %
EBIT-%	4.3 %	2.5 %	6.5 %
ROE-%	3.3 %	-1.4 %	6.0 %
ROI-%	5.1 %	2.9 %	7.7 %
Equity ratio	41.0 %	44.4 %	45.7 %
Gearing	68.6 %	45.2 %	39.8 %

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

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Date	Recommendation	Target	Share price
05-01-22	Accumulate	16.00 €	14.80 €
04-03-22	Accumulate	12.50 €	10.90 €
13-04-22	Accumulate	13.00 €	12.00 €
13-05-22	Buy	13.00 €	10.35 €
12-08-22	Buy	13.00 €	11.00 €
09-11-22	Buy	12.00 €	10.00 €
11-11-22	Buy	12.00 €	9.00 €
09-12-22	Accumulate	10.00 €	9.20 €
10-02-23	Accumulate	9.50 €	8.38 €
05-04-23	Accumulate	9.50 €	8.32 €

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