

KH Group

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Kyllä kelpaa" published on 3/22/2024 at 8:22 am EET

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It will do

The revenues of KH Group's subsidiaries were under pressure as expected, but earnings developed favorably despite the challenges in the business environment. The result day was crowned by the announcement that Indoor Group's Estonian property has been sold, which helps the company strengthen its leveraged balance sheet. With forecast changes, the value indicated by our sum of the parts calculation rose to EUR 1.04. We raise our target price to EUR 0.95 and reiterate our Accumulate recommendation

Profitability developed well despite the weak demand environment

KH-Koneet's revenue decreased more than we expected, depressed by weak machine trade, but the company managed to improve its EBIT driven by the increased rental business. We believe the earnings improvement focused on Sweden, where the business environment does not seem quite as challenging as in the domestic market, but profitability was also supported by the increase in the value of sold inventories. Against our expectations, Indoor was able to turn its revenue to growth despite the shrinking target market and the shutdown of the Estonian business that started in Q4, and strong revenue pushed earnings to an estimate overshoot. In addition, the Group announced the sale of the company's Estonian property for a price of 4.0 MEUR, which will increase Q1'24 EBIT by 3.7 MEUR. The revenue of Rakennuttajatoimisto HTJ developed more slowly than we expected due to sick leaves, but EBIT was in line with our forecasts. Despite the soft revenue development, the order backlog at the end of 2023 was some 7% higher than the comparison period. NRG, which enjoys strong demand, presented much higher figures than we expected.

The guidance is strong, but we see a risk in terms of its sustainability

KH Group's guidance for 2024 is very strong revenue of 400-420 MEUR and EBIT of 14-16 MEUR. The EBIT guidance does not include the sale of the Estonian property. The convincing report and strong guidance put upward pressure on our forecasts and for Group level figures, we are now at the bottom end of the forecast range, but we see a risk in the sustainability of the guidance, as the business environment this year will be more challenging than usual for every subsidiary except NRG. According to the management's comments, achieving the guidance should be in the company's own hands, but the Finnish port strike may, if prolonged, pose new challenges, especially for Indoor. In connection with the report, we raised our forecasts for Indoor, KH-Koneet and NRG, which is also reflected in our SOTP calculation.

There is still upside in the SOTP but a long game in KH-Koneet

Our sum of the parts calculation indicates a value of EUR 1.04 per share for the group. In our SOTP calculation, we have defined the following subsidiary-specific values: KH Koneet 52 MEUR, Indoor 27 MEUR, HTJ 16.5 MEUR and NRG 3 MEUR. In our view, the balance sheet risk related to Indoor, in particular, has decreased and, even for NRG, the path to materializing the value seems more straightforward than before, although a drop in interest rates would undoubtedly facilitate the sale of subsidiaries. In our SOTP calculation, the subsidiary-specific valuations seem cheap with earnings-based multiples but we believe that the safety margin is low, especially for this year's forecasts. Looking further and as the group structure simplifies, the investment story is increasingly linked to whether KH-Koneet can generate good profitability outside the domestic market.

Recommendation

Accumulate

(previous Accumulate)

EUR 0.95

(previous EUR 80)

Share price:

0.85



Key figures

	2023	2024e	2025e	2026e
EBIT adj.	10.8	14.3	19.0	20.7
EBIT-% adj.	2.7 %	3.6 %	4.6 %	4.7 %
Net Income	-7.0	3.6	5.1	6.8
EPS (adj.)	0.12	0.00	0.09	0.12
P/E (adj.)	6.5	neg.	9.6	7.3
P/B	0.6	0.6	0.6	0.5
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	19.0	13.2	9.4	8.2
EV/EBITDA	6.4	3.6	4.0	3.6

Source: Inderes

Guidance

(New guidance)

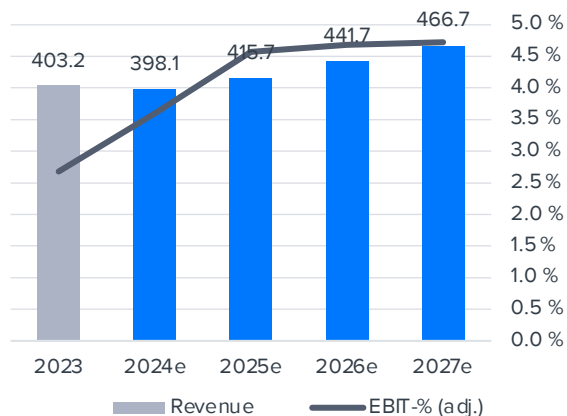
KH Group estimates, with the current Group structure, to reach net sales of EUR 400-420 million and operating profit of EUR 14-16 million.

Share price



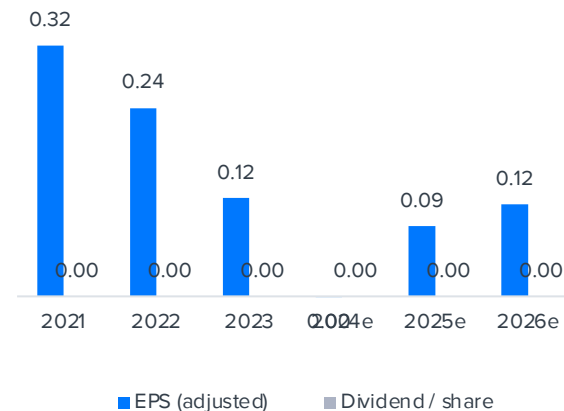
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Systematic development of holdings
- M&A transactions
- Dismantling the current ownership structure



Risk factors

- Deteriorating economic situation
- Among the portfolio companies, especially Indoor Group and KH-Koneet Group are cyclical
- Indoor's balance sheet risk
- Tightening competitive situation
- Postponement of sensible exit opportunities due to weak capital markets

Valuation	2024e	2025e	2026e
Share price	0.85	0.85	0.85
Number of shares, millions	58.1	58.1	58.1
Market cap	49	49	49
EV	190	180	170
P/E (adj.)	neg.	9.6	7.3
P/E	13.6	9.6	7.3
P/B	0.6	0.6	0.5
P/S	0.1	0.1	0.1
EV/Sales	0.5	0.4	0.4
EV/EBITDA	3.6	4.0	3.6
EV/EBIT (adj.)	13.2	9.4	8.2
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Decreasing revenue did not hinder earnings development

KH-Koneet suffered from a weakening cycle

KH-Koneet's revenue decreased clearly due to weaker demand in the machine trade and was below our expectations. The company's revenue decreased by 22% in Finland and 14% in Sweden. Despite clearly weakened revenue, KH-Koneet was able to increase its EBIT driven by the rental business contrary to our expectations. The relative profitability was supported by equipment delivered from the balance sheet that was purchased at a lower price than prevailing market prices and by aftermarket activities with a more stable demand profile and a stronger margin level than machine trade. We believe, the earnings improvement focused on the Swedish business with a lower profitability level. In connection with the report, the Group changed the recording method for the machine rental business, which caused minor changes to 2022 and 2023 figures and led to financial liabilities of leasing equipment being separated from lease liabilities in the balance sheet.

Indoor's revenue suddenly made an upturn

Indoor's development was strong in Q4, as revenue suddenly turned to growth despite the shrinking target market and the exit from Estonia. According to the company, the revenue of the Asko chain, which has been plagued by the weakened business environment in recent years, turned to small growth and Sotka's development continued to be positive. We expected an improvement in the gross margin due to the industry's lower inventory levels and decreased personnel costs also supported profitability. As in the comparison period, the implementation of the company's new ERP system resulted in costs of 0.6 MEUR in Q4, and management is still expecting the project to be completed during H1'24.

Sick leaves plagued HTJ

As expected, the Q4 figures of HTJ showed signs of weakening amid a weak construction sector, but public and infrastructure construction, central to HTJ, held its own better than the rest of the sector. Sick

leaves also depressed the company's revenue and consequently profitability.

NRG's turnaround is progressing

NRG's quarter was clearly stronger than expected, as revenue fell slightly from the strong comparison period. According to KH Group, the long-standing challenges in the availability of chassis and components have largely disappeared, which makes performance easier. NRG's strong profitability was due to the shrinking cost structure of the parent company and the high profitability of Sala Brand.

The release of working capital supported the balance sheet position

Operationally, KH Group performed well in Q4 and the Group was able to reduce its net debt partly supported by seasonal release of working capital. However, the Group's financing costs clearly exceeded our forecast, due to the increase in the redemption liabilities of minorities in KH-Koneet and HTJ (i.e. the consideration increases due to the increase in the estimated fair value of the assets).

Revenue MEUR	Q4'22 Comparison	Q4'23 Actualized	Q4'23e Inderes	Growth Estimate	Growth Act.	Difference (%) Act. vs. inderes
Indoor Group	47.1	48.1	44.7	-5%	2%	7%
KH-Koneet Group	48.0	39.1	46.6	-3%	-19%	-16%
Nordic Rescue Group	12.5	11.4	8.8	-30%	-9%	30%
HTJ	6.7	6.6	6.9	3%	-1%	-5%
Adj. EBIT (IFRS) MEUR	Q4'22 Comparison	Q4'23 Actualized	Q4'23e Inderes	Growth Estimate	Growth Act.	Difference (%) Act. vs. inderes
Indoor Group	-0.1	0.6	-0.1			
KH-Koneet Group	2.8	3.2	2.0	-30%	14%	63%
Nordic Rescue Group	0.6	0.9	0.3	-52%	55%	221%
HTJ	1.0	0.6	0.6	-38%	-40%	-4%
Unallocated costs	-0.6	-0.6	-0.7			

Source: Inderes. NB! Comparison period figures are pro forma

The report put upward pressure on our forecasts

The guidance is really strong

For the current year, KH Group's guidance is revenue of 400-420 MEUR and EBIT of 14-16 MEUR with the current group structure. We find the guidance very strong when you consider that the business environment is exceptionally challenging for all subsidiaries except NRG, which has a full order book. At the same time, the change in the accounting treatment of KH-Koneet's rental business depressed the company's revenue and, based on the management's comments, the earnings guidance does not consider the 3.7 MEUR impact from the sales gain of Indoor's Estonian property.

Our updated forecasts are at the bottom end of the guidance. We believe achieving the guidance in this business environment would be a very strong performance, and it leaves little room for negative surprises. However, due to the recent management

change, it is difficult to assess the sustainability/accuracy of the company's guidance.

KH-Koneet's revenue forecasts down, profitability forecasts up

Due to KH-Koneet's weaker revenue than we expected, we cut our revenue forecasts for the next few years slightly. The forecast change is highlighted by the change in the accounting treatment of rental equipment implemented by the Group, which depressed the pro forma revenue and result of the previous year but raised relative profitability. In terms of profitability, however, we found the quarter encouraging, as management comments suggest that the profitability of the Swedish business has developed favorably, which validates the longer-term growth story.

Indoor's operational forecasts up and sales gain included

The strong Q4 report and revenue growth in the shrinking market despite the exit from Estonia strengthened our confidence in Indoor's earnings turnaround. However, the biggest driver behind the 2024 earnings growth is a sales gain of 3.7 MEUR recorded on the Estonian property. We believe that of the subsidiaries, Indoor is most affected by the Finnish port strike, so one should keep an eye on the company if the strike is prolonged.

NRG is already selling 2025

Based on management's comments, NRG's earnings turnaround is proceeding convincingly and the company's order book is already full for 2024. We raised our estimates for the coming years to include the dissolving of the strong order book.

Estimate changes	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
Revenue (MEUR)	Old	New	%	Old	New	%	Old	New	%
Indoor Group	183	186	2%	174	181	4%	177	185	5%
KH Koneet	171	152	-11%	163	150	-8%	173	162	-7%
HTJ	26.6	26.3	-1%	27.0	26.8	-1%	27.8	27.6	-1%
NRG	35.7	38.3	7%	36.2	40.0	11%	37.1	41.2	11%
Adk. EBIT (MEUR)									
Indoor Group	0.4	1.1	168%	3.3	8.2	149%	6.7	7.0	5%
KH Koneet	8.2	9.0	10%	5.4	7.5	40%	7.8	8.9	14%
HTJ	2.6	2.6	-1%	2.2	2.2	1%	3.1	3.0	-1%
NRG	1.3	1.9	48%	1.3	2.0	58%	1.3	1.9	43%
Unallocated items	-2.9	-2.8	-3%	-2.1	-2.0	-5%	-1.8	-1.8	0%

Source: Inderes

Changes in our sum of the parts calculation

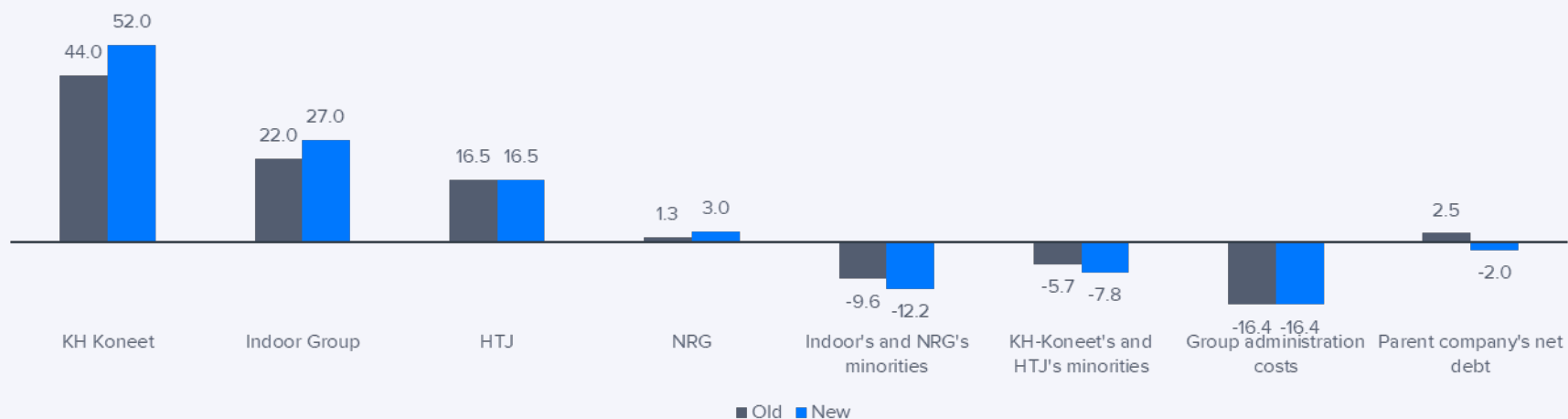
The report strengthened the international growth strategy of KH-Koneet

Based on the Q4 report, KH-Koneet may be less cyclical than feared. During the quarter, the company was able to improve its profitability despite weakened revenue, and we believe that the Swedish business in particular improved from the comparison period, which validated the international growth strategy. However, the Q4 report is diluted by a change in the market price of the sold machines between the time of purchase and the sale, which supported Q4 profitability in an unknown manner. At the same time, the guidance provided by KH Group indicates that KH-Koneet is expected to improve its earnings this year, despite the weak economic situation.

Due to leverage, Indoor's and NRG's valuations are sensitive to forecast changes

In the case of NRG and Indoor Group, we raised our estimate of the companies' fair value after a strong report and the improved outlook outlined therein. Due to the leveraged balance sheet of both companies, even small forecast changes have a strong leveraged effect on the value of the share capital. For Indoor, sales of the Estonian property flows almost directly to the company's value, as our forecasts did not consider the sale of the property, but we had already removed the Estonian business from our forecasts (i.e. the property was a useless asset in the balance sheet for the forecasts).

Changes to the sum of the parts



Sum of the parts is the most reliable valuation method

Formation of the sum of the parts

We approach KH Group's valuation with a sum of the parts calculation. In our view, the method is optimal, as the current Group structure is to be dismantled, which enables value to be released. At the same time, due to the subsidiaries' differing cash flow and risk profiles, the profitability of their growth and the acceptable valuation multiples differ considerably.

In our sum of the parts model, we have estimated the fair value of each of KH Group's subsidiaries using company-specific DCF models and by comparing the multiple-based fair value valuation to company-specific peers' valuations. In the subsidiary-specific valuation, we utilize company-specific financial statements that comply with FAS accounting (excl. Indoor Group that reports under IFRS), which slightly weakens the comparability of the figures with peers.

We deduct the minority holding of the company, the Group administration expenses, and our estimate of the parent company's debts from the company-

specific fair value estimate as part of the calculation. Our sum of the parts calculation indicates that KH Groups value per share is EUR 1.07

Group administration expenses consume the fair value of the whole

We have estimated that normalized Group administration expenses are 1.8 MEUR, which we have discounted at a 11% cost of capital from here to eternity. Expenditure has been slightly higher in recent years, but we expect it to fall when the strategy is clear and as it progresses. One could argue for a larger drop in group costs when the group only includes KH-Koneet. We believe that this approach is logical, but the challenge we see is new administrative costs that would arise if another subsidiary would be listed on the stock exchange.

Formation of the sum of the parts	Equity value DCF	Fair value	Net debt 2024e	EV 2024e
KH Koneet	55.6	52.0	16.3	68.3
Indoor Group	30.5	27.0	63.0	90.0
HTJ	22.8	16.5	5.8	22.3
NRG	4.5	3.0	11.0	14.0
- Indoor's and NRG's minorities		-12.2		
- KH-Koneet's and HTJ's minorities		-7.8		
- Group administration costs		-16.4		
+ Parent company's net debt		-2.0		
= Sum of the parts		60.1		
Group's current market cap		49.4		
Discount to SOTP		-18%		
Per share value indicated by SOTP		1.04 €		

Implicit valuation multiples

In the adjacent table, we have tried to illustrate the implicit valuation multiples of KH Group's subsidiaries based on our fair value estimates. The multiples follow FAS accounting except for Indoor Group, as the company's financial statements follow the FAS standard. To improve comparability, we have adjusted goodwill depreciation from our earnings estimates. We have not predicted dividend distribution, which means the cash flow generated by the companies lowers net debt and EV.

KH-Koneet's valuation anticipates a slowing machine trade

For KH-Koneet, the earnings-based valuation seems attractive, but the forecasts include less safety margin than before as the challenges in the construction sector weigh on the company's performance. If the company performs in the manner outlined in the guidance this year and manages to improve the profitability of the Swedish business, we continue to see upward pressure in our estimate of the company's value. Compared to the peers, KH-Koneet is priced at a discount on earnings basis which we find justified due to the smaller size of the company and more limited growth track record than for the peers.

Turnaround company status is reflected in Indoor's valuation

Measured by EBITDA, Indoor seems cheap with our 2024 forecasts, although due to the high depreciation/EBITDA ratio, the multiple may be misleading and our net profit forecast is barely positive for next year. Indoor has historically generated high profitability but due to the company's elevated risk profile and weakened performance, we consider it justified that the company is priced at a discount to the book value on a balance sheet basis. In the short term, the forecast risk is also elevated due to the ERP project that is in a critical stage. As performance recovers and the balance sheet strengthens, we see prerequisites for balance sheet-based premium pricing and a clear upside relative to the current value. Indoor's peers are priced mainly at a discount to book value, which may indicate market doubts about the industry's long-term value creation outlook.

Due to HTJ's capital-light business model, the focus is on earnings-based multiples

Due to HTJ's very capital-light business model, we prefer EV-based earnings multiples when assessing the company's valuation. With the company-specific market value of 16.5 MEUR we determined, HTJ is priced at a clear discount to its peers. Due to the small size of the company and the current ownership structure, we believe it should be priced at a discount compared to the listed peers. Our DCF model, on the other hand, indicates a value of approximately EUR 22 million for the company. The businesses' resilience to cyclicality is somewhat unclear to us in HTJ, but infrastructure construction and public sector premises account for over 60% of revenue, limiting fluctuation.

NRG's earnings-based valuation is low but not without reason

NRG's revenue- and earnings-based valuation multiples are low, which is explained by the company's high risk profile and turnaround status. Assessing the company's sustainable performance is extremely difficult with the current track record, which we feel should be reflected in acceptable valuation multiples. Due to the company's significant leverage, a successful earnings turnaround would have a significant positive impact on the value of equity.

KH Koneet	2024e	2025e	2026e	2027e
EV/Sales	0.5	0.4	0.3	0.3
EV/EBITDA	7.6	6.2	5.0	4.2
EV/Adj. EBIT	8.1	6.7	5.5	4.7
Adj. P/E	9.1	7.4	6.3	5.6
P/B	1.1	1.0	0.9	0.8

Indoor Group	2024e	2025e	2026e	2027e
EV/Sales	0.5	0.4	0.4	0.3
EV/EBITDA	3.5	3.3	2.7	2.3
EV/EBIT	17.1	11.4	9.1	7.6
P/E	58.0	8.3	6.4	5.5
P/B	0.7	0.7	0.6	0.5

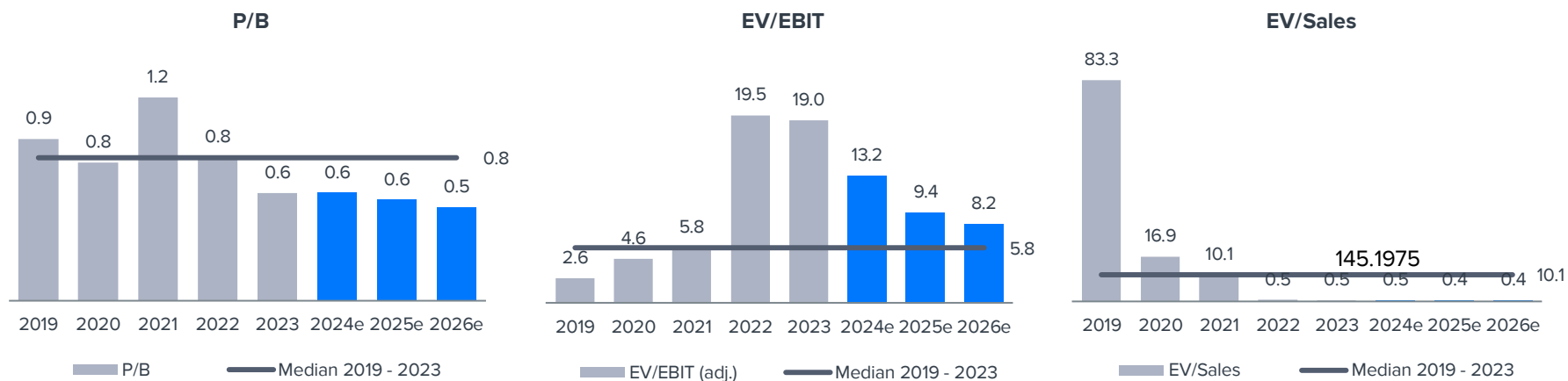
HTJ	2024e	2025e	2026e	2027e
EV/Sales	0.8	0.7	0.6	0.5
EV/EBITDA	9.8	6.4	5.2	4.3
EV/Adj. EBIT	10.4	6.7	5.4	4.5
Adj. P/E	10.5	7.3	6.6	6.3
P/B	1.5	1.3	1.1	0.9

NRG	2024e	2025e	2026e	2027e
EV/Sales	0.3	0.3	0.3	0.3
EV/EBITDA	5.9	6.1	6.4	6.1
EV/Adj. EBIT	7.1	7.5	8.1	7.6
Adj. P/E	4.1	4.3	5.1	4.2
P/B	-0.6	-0.5	-0.4	-0.4

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	1.28	1.08	1.92	1.18	0.81	0.85	0.85	0.85	0.85
Number of shares, millions	57.8	58.0	58.1	58.1	58.1	58.1	58.1	58.1	58.1
Market cap	74	63	112	69	47	49	49	49	49
EV	42	54	116	232	205	190	180	170	161
P/E (adj.)	5.8	6.3	6.1	5.0	6.5	neg.	9.6	7.3	5.9
P/E	5.8	6.3	6.1	5.0	neg.	13.6	9.6	7.3	5.9
P/B	0.9	0.8	1.2	0.8	0.6	0.63	0.59	0.5	0.5
P/S	>100	19.6	9.7	0.2	0.1	0.1	0.1	0.1	0.1
EV/Sales	83.3	16.9	10.1	0.5	0.5	0.5	0.4	0.4	0.3
EV/EBITDA	2.6	4.6	5.8	19.5	6.4	3.6	4.0	3.6	3.3
EV/EBIT (adj.)	2.6	4.6	5.8	19.5	19.0	13.2	9.4	8.2	7.3
Payout ratio (%)	83.5 %	23.4 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	14.5 %	3.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



Income statement

	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	100	100	97.6	105	403	92.7	100.0	98.5	107	398	416	442	467
KH-Koneet	40.5	40.4	32.3	39.1	152	34.0	40.4	33.9	41.4	150	162	181	199
Indoor Group	43.6	44.0	50.6	48.1	186	42.3	42.7	49.6	46.9	181	185	190	194
HTJ	6.1	7.0	6.5	6.6	26.3	6.3	7.2	6.6	6.7	26.8	27.6	28.6	29.6
Nordic Rescue Group	9.9	8.8	8.2	11.4	38.3	10.0	9.7	8.4	11.9	40.0	41.2	42.3	43.3
EBITDA						14.0	10.6	14.5	14.2	53.2	45.2	47.3	49.0
Depreciation						-8.8	-8.8	-8.8	-8.8	-35.2	-26.2	-26.6	-27.0
EBIT (excl. NRI)	1.1	2.9	5.1	1.7	10.8	1.5	1.8	5.7	5.4	14.3	19.0	20.7	22.0
EBIT	1.1	0.9	-6.8	1.7	-3.1	5.2	1.8	5.7	5.4	18.0	19.0	20.7	22.0
KH-Koneet	1.8	2.0	2.0	3.2	9.0	1.5	1.7	1.9	2.5	7.5	8.9	10.0	11.0
Indoor Group	-0.6	-1.5	2.6	0.6	1.1	3.3	-0.4	3.2	2.2	8.2	7.0	7.6	7.8
HTJ	0.4	0.6	1.0	0.6	2.6	0.4	0.5	0.7	0.6	2.2	3.0	3.3	3.4
Nordic Rescue Group	0.1	0.6	0.3	0.9	1.9	0.5	0.5	0.4	0.6	2.0	1.9	1.7	1.7
Unallocated items	-0.6	-0.8	-12.7	-3.6	-17.7	-0.5	-0.5	-0.5	-0.5	-2.0	-1.8	-1.8	-1.8
Net financial items	-2.6	-3.5	-2.1	-4.1	-12.3	-2.7	-2.7	-2.7	-2.7	-10.8	-10.4	-9.7	-8.5
PTP	-1.5	-2.6	-8.9	-2.4	-15.4	2.5	-0.9	3.0	2.7	7.2	8.6	11.0	13.5
Taxes	0.5	0.4	2.2	0.2	3.3	-0.5	0.2	-0.6	-0.5	-1.5	-1.7	-2.2	-2.7
Minority interest	0.0	1.2	3.2	0.8	5.2	-1.1	-0.1	-0.5	-0.4	-2.1	-1.8	-2.0	-2.4
Net earnings	-1.0	-1.0	-3.2	-1.5	-6.7	0.9	-0.8	1.9	1.7	3.6	5.1	6.8	8.4
EPS (adj.)	-0.02	0.02	0.15	-0.03	0.12	-0.05	-0.01	0.03	0.03	0.00	0.09	0.12	0.14

Key figures	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%						-7.4 %	-0.3 %	1.0 %	1.6 %	-1.3 %	4.4 %	6.3 %	5.6 %
Adjusted EBIT growth-%						35.2 %	-39.4 %	11.8 %	216.1 %	32.6 %	32.8 %	8.8 %	6.5 %
EBITDA-%						15.1 %	10.6 %	14.7 %	13.3 %	13.4 %	10.9 %	10.7 %	10.5 %
Adjusted EBIT-%	1.1 %	2.9 %	5.2 %	1.6 %	2.7 %	1.6 %	1.8 %	5.8 %	5.0 %	3.6 %	4.6 %	4.7 %	4.7 %
Net earnings-%	-1.0 %	-1.0 %	-3.3 %	-1.4 %	-1.7 %	0.9 %	-0.8 %	1.9 %	1.6 %	0.9 %	1.2 %	1.5 %	1.8 %

Source: Inderes

*NB! The figures for 2022-H1'23 consist of pro forma figures from different subsidiaries, not official reported figures to improve comparability. In the future, the figures will correspond to the reported figures.

The subsidiaries' forecasts follow IFRS accounting, which results in a discrepancy with company-specific DCF models that follow FAS accounting.

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	213	213	207	207	207
Goodwill	37.7	39.9	39.9	39.9	39.9
Intangible assets	65.3	63.8	62.3	60.7	59.1
Tangible assets	104	103	105	106	108
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	0.8	0.7	0.0	0.0	0.0
Deferred tax assets	5.2	5.3	0.0	0.0	0.0
Current assets	164	135	131	135	144
Inventories	112	100.0	97.5	99.8	106
Other current assets	7.3	0.0	0.0	0.0	0.0
Receivables	18.8	23.7	13.9	14.5	15.5
Cash and equivalents	26.4	11.1	19.9	20.8	22.1
Balance sheet total	377	348	338	342	350

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	87.8	79.3	78.3	83.4	90.2
Share capital	15.2	15.2	15.2	15.2	15.2
Retained earnings	53.4	46.6	50.2	55.4	62.1
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	13.0	12.9	12.9	12.9	12.9
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	6.2	4.7	0.0	0.0	0.0
Non-current liabilities	128	122	112	107	102
Deferred tax liabilities	15.7	12.7	12.7	12.7	12.7
Provisions	0.0	0.1	0.0	0.0	0.0
Interest bearing debt	110	106	96.1	90.6	85.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.5	3.6	3.6	3.6	3.6
Current liabilities	161	147	148	152	159
Interest bearing debt	74.4	60.4	64.1	60.4	57.0
Payables	86.4	86.2	83.6	91.5	102
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	377	348	338	342	350

*NB! The 2021 balance follows the reporting method of the investment company and is therefore not comparable with the current conglomerate reporting method. We have replaced the 2022 balance sheet of the investment company with the balance sheet of the conglomerate from the H1'23 report so that our future balance sheet forecasts are built on a comparable data point.

Peer group valuation 1/2

Indoor's peer group valuation		Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2024e
SURTECO GROUP (XET)	205	579	11.2	8.3	5.3	4.5	0.7	0.6	8.1	5.3	0.5	
NOBIA	118	561	29.7	13.9	6.6	4.8	0.6	0.5	-19.9	9.5	0.3	
MAISONS DU MONDE	184	883	25.0	19.0	4.5	4.3	0.8	0.8	18.8	8.8	0.3	
LEON'S FURNITURE	1051	1232	NA	NA	5.8	5.5	0.7	0.7	11.0	10.1	NA	
WILLIAMS-SONOMA	17428	16785	14.6	14.1	12.3	12.0	2.4	2.4	20.3	19.5	9.2	
Indoor Group (Inderes, IFRS)	52	90	17.1	11.4	3.5	3.3	0.5	0.4	58.0	8.3	0.7	
Average			20.1	13.8	6.9	6.2	1.0	1.0	7.7	10.6	2.6	
Median			19.8	14.0	5.8	4.8	0.7	0.7	11.0	9.5	0.4	
<i>Diff.-% to median</i>			<i>-14%</i>	<i>-18%</i>	<i>-39%</i>	<i>-32%</i>	<i>-30%</i>	<i>-37%</i>	<i>425%</i>	<i>-12%</i>	<i>82%</i>	

NRG's peer group valuation		Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2024e
ROSENBAUER INTL.	186	671	11.4	10.0	7.4	6.8	0.6	0.5	6.0	4.9	0.9	
OSHKOSH	7156	7807	8.7	8.3	7.2	6.9	0.8	0.8	11.4	10.6	1.8	
REV GROUP	900	819	6.8	5.5	5.7	4.6	0.4	0.3	12.9	9.2	2.1	
NRG (Inderes, FAS)	3	14	7.1	7.5	5.9	6.1	0.3	0.3	4.1	4.3	-0.6	
Average			9.0	7.9	6.8	6.1	0.6	0.6	10.1	8.2	1.6	
Median			8.7	8.3	7.2	6.8	0.6	0.5	11.4	9.2	1.8	
<i>Diff.-% to median</i>			<i>-18%</i>	<i>-10%</i>	<i>-18%</i>	<i>-9%</i>	<i>-39%</i>	<i>-39%</i>	<i>-64%</i>	<i>-54%</i>		

Peer group valuation 2/2

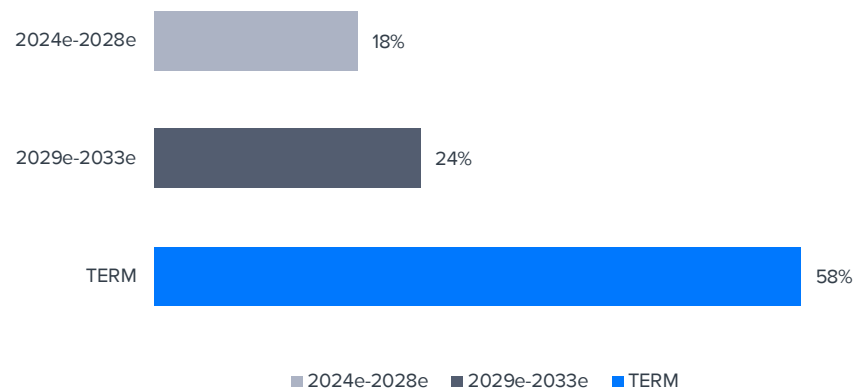
HTJ's peer group valuation		Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2024e
SITOWISE GROUP	98	181	13.4	10.3	7.1	6.2	0.9	0.8	14.0	9.4	0.8	
SWECO B	3937	4424	18.0	15.8	13.0	11.8	1.7	1.6	21.6	18.7	3.9	
AFRY	1691	2105	11.9	10.6	8.0	7.4	0.9	0.8	13.8	11.8	1.4	
REJLERS B	272	327	12.3	11.1	7.5	7.0	0.9	0.8	13.5	12.0	1.6	
WSP GLOBAL	19091	21633	46.9	33.8	15.1	13.8	2.7	2.6	28.6	25.0	4.1	
ETTEPLAN	334	397	13.0	11.3	7.8	7.2	1.0	1.0	13.5	11.9	2.6	
ARCADIS	5178	6040	14.7	12.6	11.0	9.7	1.4	1.3	18.3	15.5	4.0	
SOLWERS	40	21	4.2	4.2	2.6	2.3	0.3	0.3	13.7	12.4	1.0	
HTJ (Inderes, FAS)	17	22	10.4	6.7	9.8	6.4	0.8	0.7	10.5	7.3	1.5	
Average			16.8	13.7	9.0	8.2	1.2	1.2	17.1	14.6	2.4	
Median			13.2	11.2	7.9	7.3	1.0	0.9	13.9	12.2	2.1	
Diff.-% to median			-21%	-40%	24%	-11%	-13%	-21%	-24%	-40%	-26%	

KH -Koneet's peer group valuation		Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2024e
UNITED RENTALS	43911	54188	14.2	13.6	8.4	8.0	3.9	3.8	16.4	15.0	5.2	
H&E EQUIPMENT SERVICES	2037	3344	11.9	10.9	5.0	4.6	2.3	2.2	12.1	10.6	3.4	
MCGRATH RENTCORP	2747	3449	16.9	15.4	11.2	10.4	4.4	4.1	22.5	19.8	NA	
SPEEDY HIRE	133	337	10.0	8.2	2.9	2.7	0.7	0.6	7.8	6.0	0.5	
VP	266	495	8.4	8.1	3.7	3.7	1.1	1.1	7.5	7.1	1.3	
WETTERI OYJ	77	221	16.1	14.1	7.5	7.0	0.4	0.3	30.3	14.9	1.9	
BILIA A	1148	1881	13.4	11.7	7.9	7.2	0.6	0.5	11.7	9.9	2.4	
KH Koneet (Inderes, FAS)	52	68	8.1	6.7	7.6	6.2	0.5	0.4	9.1	7.4	1.1	
Average			11.4	10.3	5.8	5.4	1.7	1.6	13.5	10.4	2.1	
Median			12.6	11.3	6.2	5.8	0.9	0.9	11.9	10.3	1.9	
Diff.-% to median			-36%	-41%	22%	7%	-49%	-53%	-23%	-27%	-42%	

DCF calculation 1/4

DCF model KH Koneet (FAS)	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	15.2 %	-21.7 %	-1.7 %	8.0 %	12.0 %	10.0 %	14.0 %	12.0 %	4.0 %	2.5 %	2.0 %	1.5 %	1.5 %
EBIT-% (adj.)	5.0 %	5.4 %	4.5 %	5.0 %	5.9 %	5.9 %	5.0 %	5.0 %	5.0 %	5.0 %	4.5 %	4.2 %	4.2 %
EBIT (adj.)	9.7	8.2	6.7	8.1	10.8	11.7	11.4	12.7	13.2	13.6	12.5	11.8	
+ Depreciation	2.6	2.3	2.2	2.4	2.7	3.0	3.4	3.8	4.0	4.1	4.2	4.2	
- Paid taxes	-1.9	-2.0	-1.7	-2.0	-2.2	-2.3	-1.8	-1.8	-1.9	-1.9	-1.7	-1.5	
- Change in working capital	-11.9	0.6	-2.2	-3.8	-2.6	-3.4	-5.8	-7.6	-2.8	-1.9	-1.5	-1.2	
Operating cash flow	-2.4	9.1	5.1	4.7	8.7	8.9	7.2	7.1	12.5	13.9	13.4	13.3	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-7.4	-2.3	-1.6	-2.8	-3.4	-3.9	-4.9	-4.7	-4.0	-4.6	-4.1	-4.6	
Free operating cash flow	-9.8	6.8	3.5	1.9	5.4	5.0	2.2	2.5	8.5	9.3	9.3	8.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-9.8	6.8	3.5	1.9	5.4	5.0	2.2	2.5	8.5	9.3	9.3	8.7	109
Discounted FCFF			3.2	1.6	4.2	3.5	1.4	1.4	4.6	4.5	4.2	3.5	44.4
Sum of FCFF present value			83.5	73.4	71.8	67.6	64.1	62.7	61.2	56.7	52.1	47.9	44.4
Enterprise value DCF			83.5										
- Interest bearing debt			-31.0										
+ Cash and cash equivalents			3.1										
-Minorities			0.0										
-Dividend/capital return			0.0										
Equity value DCF			55.6										

Cash flow distribution



Source: Inderes

DCF calculation 2/4

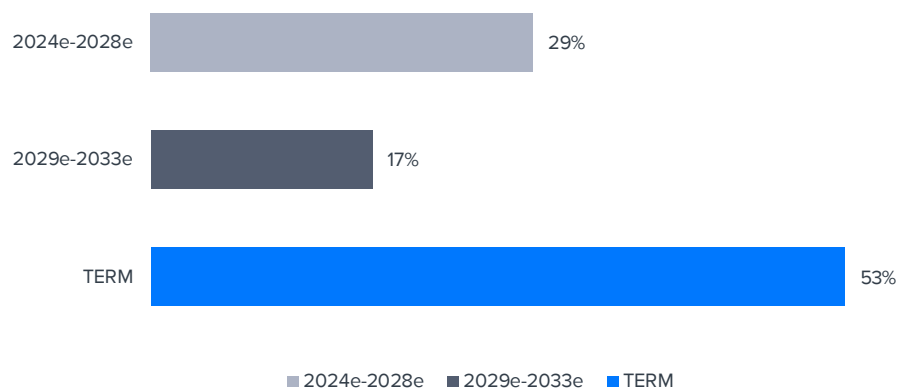
DCF model Indoor Group (IFRS)	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-6.2 %	-3.1 %	-2.6 %	2.0 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	1.5 %	1.0 %	1.0 %
EBIT-%	0.5 %	0.6 %	4.5 %	3.8 %	4.0 %	4.0 %	4.3 %	4.3 %	4.2 %	4.2 %	4.2 %	4.0 %	4.0 %
EBIT (operating profit)	1.0	1.1	8.2	7.0	7.6	7.8	8.6	8.7	8.7	8.9	9.0	8.7	
+ Depreciation	19.3	18.7	17.2	17.6	18.0	18.5	18.9	19.3	19.7	20.1	20.4	20.6	
- Paid taxes	-0.2	-0.2	-1.6	-1.4	-1.5	-1.6	-1.7	-1.7	-1.7	-1.8	-1.8	-1.7	
- Change in working capital	-1.6	-0.1	-2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	13.7	19.5	21.3	23.2	24.1	24.7	25.8	26.3	26.7	27.2	27.6	27.5	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-20.9	-16.6	-13.9	-16.6	-15.4	-16.2	-20.4	-20.5	-20.9	-21.4	-21.4	-21.3	
Free operating cash flow	-7.2	3.0	7.4	6.6	8.7	8.5	5.4	5.8	5.7	5.8	6.2	6.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-7.2	3.0	7.4	6.6	8.7	8.5	5.4	5.8	5.7	5.8	6.2	6.3	107
Discounted FCFF			7.0	5.9	7.2	6.6	3.9	3.9	3.6	3.5	3.5	3.3	55.6
Sum of FCFF present value			107	96.9	91.0	83.8	77.2	73.3	69.4	65.8	62.3	58.8	55.6
Enterprise value DCF			107										
- Interest bearing debt			-82.2										
+ Cash and cash equivalents			5.8										
-Minorities			0.0										
-Dividend/capital return			0.0										
Equity value DCF			30.5										

WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	75.0 %
Cost of debt	6.5 %
Equity Beta	1.5
Market risk premium	4.75%
Liquidity premium	2.5 %
Risk free interest rate	2.5 %
Cost of equity	12.1 %
Weighted average cost of capital (WACC)	6.9 %

Source: Inderes

Cash flow distribution



DCF calculation 3/4

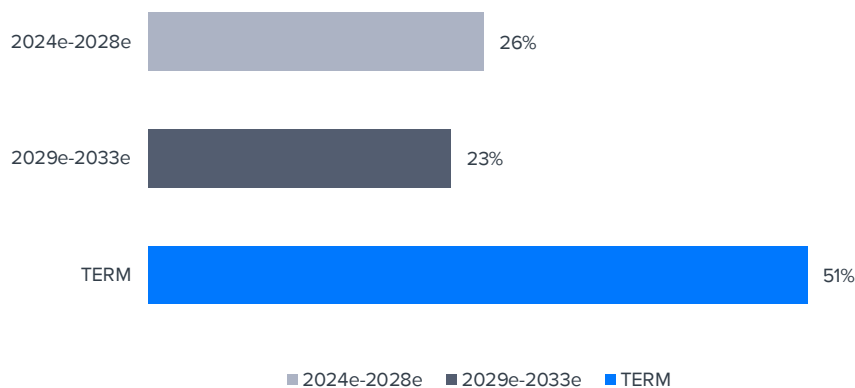
DCF model HTJ (FAS)	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	21.7 %	13.7 %	2.1 %	3.0 %	3.5 %	3.5 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBITDA-%	12.5 %	17.8 %	8.5 %	11.1 %	11.6 %	11.6 %	11.2 %	11.2 %	11.2 %	11.1 %	11.0 %	10.5 %	10.5 %
EBIT (operating profit)	1.0	2.5	0.6	2.9	3.2	3.3	3.2	3.3	3.4	3.4	3.4	3.3	
+ Depreciation	1.9	2.2	1.6	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	
- Paid taxes	-0.2	-0.5	-0.4	-0.6	-0.6	-0.7	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	
- Change in working capital	-0.5	0.3	-0.9	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	2.4	4.5	1.0	2.5	2.7	2.8	2.8	2.8	2.9	2.9	3.0	2.9	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-1.9	-2.2	-1.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
Free operating cash flow	0.5	2.3	-0.2	2.4	2.6	2.7	2.6	2.7	2.7	2.8	2.8	2.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	0.5	2.3	-0.2	2.4	2.6	2.7	2.6	2.7	2.7	2.8	2.8	2.7	36.1
Discounted FCFF			-0.2	2.0	2.0	1.9	1.7	1.6	1.5	1.3	1.2	1.1	14.6
Sum of FCFF present value			31.1	29.0	26.9	24.9	23.0	21.3	19.8	18.3	17.0	15.7	14.6
Enterprise value DCF			31.1										
- Interest bearing debt			-10.5										
+ Cash and cash equivalents			2.3										
-Minorities			0.0										
-Dividend/capital return			0.0										
Equity value DCF			22.8										

WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	6.5 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	11.2 %
Weighted average cost of capital (WACC)	9.7 %

Source: Inderes

Cash flow distribution



DCF calculation 4/4

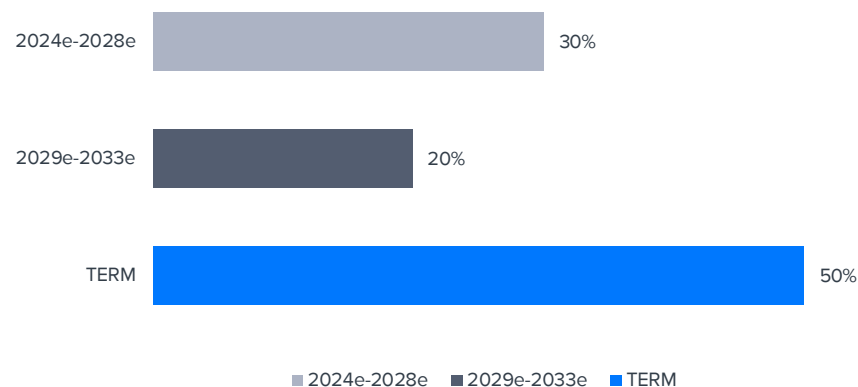
DCF model NRG (FAS)	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	11.0 %	-8.3 %	4.5 %	3.0 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBITDA-%	-4.7 %	4.4 %	5.9 %	5.4 %	4.9 %	4.9 %	4.4 %	4.4 %	4.4 %	4.4 %	4.4 %	4.0 %	4.0 %
EBIT (operating profit)	-8.7	-4.5	0.4	0.2	0.1	0.1	0.8	1.5	1.6	1.6	1.6	1.5	
+ Depreciation	6.7	6.2	2.0	2.0	2.0	2.0	1.2	0.5	0.5	0.5	0.5	0.5	
- Paid taxes	0.0	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
- Change in working capital	-0.4	0.4	-0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
Operating cash flow	-1.3	1.7	1.5	1.7	1.6	1.7	1.5	1.6	1.6	1.7	1.7	1.6	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-0.1	0.2	-0.5	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
Free operating cash flow	-1.5	1.9	1.0	1.3	1.2	1.2	1.1	1.1	1.1	1.2	1.2	1.1	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.5	1.9	1.0	1.3	1.2	1.2	1.1	1.1	1.1	1.2	1.2	1.1	16.9
Discounted FCFF			0.9	1.1	1.0	0.9	0.7	0.7	0.7	0.6	0.6	0.5	7.7
Sum of FCFF present value			17.3	14.5	13.4	12.4	11.5	10.8	10.1	9.4	8.8	8.2	7.7
Enterprise value DCF			17.3										
- Interest bearing debt			-15.0										
+ Cash and cash equivalents			2.3										
-Minorities			0.0										
-Dividend/capital return			0.0										
Equity value DCF			4.5										

WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	65.0 %
Cost of debt	7.0 %
Equity Beta	1.80
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	13.6 %
Weighted average cost of capital (WACC)	8.4 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	11.5	428.9	403.2	398.1	415.7	EPS (reported)	0.32	0.24	-0.11	0.06	0.09
EBITDA	20.2	11.9	31.9	53.2	45.2	EPS (adj.)	0.32	0.24	0.12	0.00	0.09
EBIT	20.2	11.9	-3.1	18.0	19.0	OCF / share	0.43	-0.64	0.75	1.11	0.80
PTP	20.2	11.7	-15.4	7.2	8.6	FCF / share	0.43	-4.17	0.17	0.51	0.35
Net Income	18.4	13.8	-6.7	3.6	5.1	Book value / share	1.61	1.40	1.29	1.35	1.44
Extraordinary items	0.0	0.0	-13.9	3.7	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	113.3	377.0	347.7	338.3	342.1	Revenue growth-%	259%	3630%	-6%	-1%	4%
Equity capital	93.5	87.8	79.3	78.3	83.4	EBITDA growth-%	73%	-41%	168%	67%	-15%
Goodwill	0.0	37.7	39.9	39.9	39.9	EBIT (adj.) growth-%	73%	-41%	-9%	33%	33%
Net debt	4.7	158.2	154.9	140.2	130.2	EPS (adj.) growth-%	86%	-25%	-48%	-101%	-8872%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	175.7 %	2.8 %	7.9 %	13.4 %	10.9 %
EBITDA	20.2	11.9	31.9	53.2	45.2	EBIT (adj.)-%	175.7 %	2.8 %	2.7 %	3.6 %	4.6 %
Change in working capital	4.8	-55.7	14.0	9.6	5.0	EBIT-%	175.7 %	2.8 %	-0.8 %	4.5 %	4.6 %
Operating cash flow	24.9	-37.3	43.4	64.5	46.4	ROE-%	21.5 %	15.8 %	-8.5 %	4.8 %	6.4 %
CAPEX	-0.2	-207.3	-35.1	-34.5	-26.3	ROI-%	22.8 %	6.4 %	-1.2 %	7.5 %	8.0 %
Free cash flow	24.7	-242.1	9.8	29.8	20.1	Equity ratio	82.5 %	23.3 %	22.8 %	23.1 %	24.4 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	5.0 %	180.2 %	195.2 %	179.1 %	156.0 %
EV/S	10.1	0.5	0.5	0.5	0.4						
EV/EBITDA (adj.)	5.8	19.5	6.4	3.6	4.0						
EV/EBIT (adj.)	5.8	19.5	19.0	13.2	9.4						
P/E (adj.)	6.1	5.0	6.5	neg.	9.6						
P/B	1.2	0.8	0.6	0.6	0.6						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
12/15/2021	Accumulate	2.00 €	1.94 €
3/4/2022	Buy	1.80 €	1.52 €
3/17/2022	Accumulate	1.80 €	1.64 €
5/6/2022	Buy	1.80 €	1.36 €
8/18/2022	Accumulate	1.50 €	1.29 €
11/4/2022	Buy	1.40 €	1.14 €
12/16/2022	Buy	1.40 €	1.17 €
2/21/2023	Accumulate	1.35 €	1.20 €
3/1/2023	Accumulate	1.20 €	1.08 €
5/5/2023	Buy	1.20 €	1.03 €
8/18/2023	Accumulate	1.05 €	0.95 €
<i>Analysts changed</i>			
10/30/2023	Accumulate	0.90 €	0.77 €
11/2/2023	Accumulate	0.90 €	0.79 €
3/11/2024	Accumulate	0.80 €	0.68 €
3/22/2024	Accumulate	0.95 €	0.85 €



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