Etteplan

Extensive report

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Inderes Corporate customer

This report is a summary translation of the report "Teknologiapalveluyhtiöiden eliittiä" published on 11/23/2021 at 7:25 am

Elite technology service company

Etteplan succeeded excellently in its transformation into a technology service company with solid and comprehensive expertise also in software solutions. The track record of profitable growth is strong and earnings growth will continue in the future as well. However, we estimate that it will be difficult to improve the already excellent profitability in the future. This weighs on the earnings growth rate, while the share's valuation level is in practice record-high (2022e P/E ~20x). Due to the challenging valuation level, we reiterate our Reduce recommendation with a target price of EUR 17.0.

From an engineering agency to the elite of technology service companies

Thanks to persistent strategy work, product-engineering specialist Etteplan has transformed from an "engineering agency" to a technology service company with comprehensive expertise. With the support of several acquisitions, the company has built a large software company (over 700 software experts), which Etteplan has recently strengthened with expertise in cloud solutions and applications. We believe that Etteplan has succeeded in strengthening its competitive advantage through correct strategic maneuvers and that it has a quite unique service range. The company has long been a trailblazer in its industry and we believe that the Managed Services business model is much better than the industry's traditional business model. Additionally, we consider the comprehensive expertise in the important Software and Embedded Systems area and well-functioning China offshoring service as Etteplan's competitive advantages. The next step in the growth story is likely a strategic expansion to Central Europe, where the company already has a relatively strong growth base. China's service market opening up is also an opportunity.

Earnings growth story continues, but improving profitability from the current level is tough

Etteplan's track record of profitable growth is very good and the company eventually survived the COVID pandemic with very little damage. At present, the demand situation is very strong and the outlook is largely positive. However, Etteplan is burdened by its own success in the sense that its already excellent profitability brings down earnings growth estimates. In our view, it's challenging to improve from a historically good level (2021e EBITA of 10.5%, which is over the company's 10% target), especially as all business areas are already performing well. Naturally this is gradually possible as revenue increases likely faster in more profitable business areas, but this structural change is slow. When profitability doesn't offer earnings leverage for revenue growth, we predict that EPS growth in 2021-2024 will "only" be 8.4% (CAGR-%, adjusted EPS). This is certainly not a bad level, but adjusted EPS grew by about 15% annually in 2015-2020 (CAGR-%). However, our forecasts don't include new acquisitions which, when successful, can continue to accelerate earnings growth in the future.

Ticket to the growth story is valuable

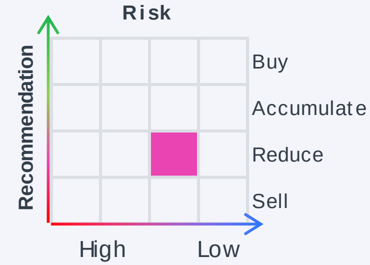
Etteplan's valuation level is in practice historically high, while the company has excellent results. The valuation multiples are high both in absolute terms (2022e P/E about 20x, over 20% higher than historically) and in relation to the peer group (a slight premium). Etteplan's track record of profitable growth is convincing, but the earnings outlook is weaker and the valuation is significantly higher than before. However, there is more stability and main risks are related to the sustainability of the valuation. If P/E returned to 15x level, this would mean a share price decrease of ca. 24%. We don't think this is likely, but at the same time, we don't see upside in the valuation. Our positive view of Etteplan's competitive advantages and shareholder value creation remains unchanged, but we are patiently waiting for more attractive places to buy into the story.

Recommendation

Reduce
(previous Reduce)

EUR 17.00
(previous EUR 17.00)

Share price:
17.90



Key figures

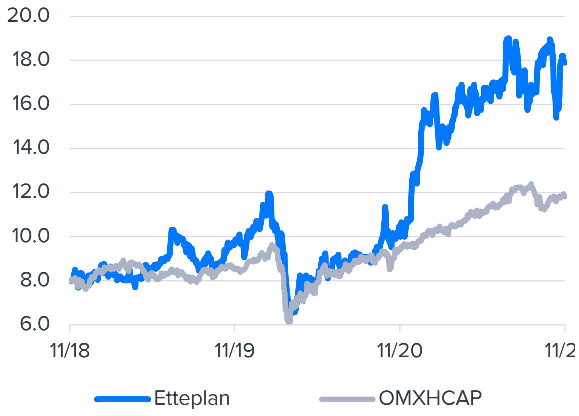
	2020	2021e	2022e	2023e
Revenue	260	298	327	351
growth-%	-1%	15%	10%	7%
EBIT adj.	23.3	26.6	29.9	32.9
EBIT-% adj.	9.0 %	8.9 %	9.1 %	9.4 %
Net Income	17.1	19.9	22.8	24.8
EPS (adj.)	0.72	0.82	0.91	0.99
P/E (adj.)	17.9	21.8	19.6	18.0
P/B	3.7	4.5	4.0	3.6
Dividend yield-%	2.6 %	2.2 %	2.5 %	2.8 %
EV/EBIT (adj.)	15.6	18.2	15.9	14.1
EV/EBITDA	9.0	11.1	9.8	8.8
EV/S	1.4	1.6	1.5	1.3

Source: Inderes

Guidance (Unchanged)

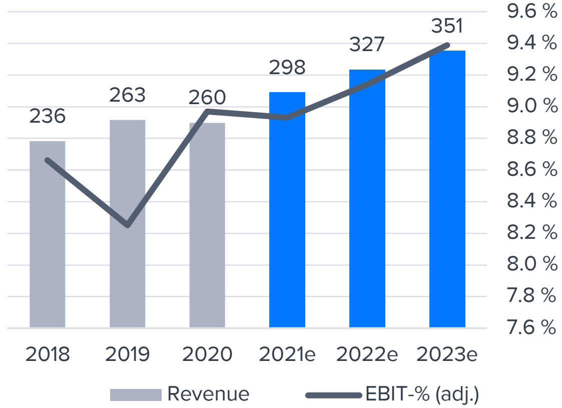
Etteplan estimates that its revenue will be EUR 295–310 million and operating profit (EBIT) EUR 25–28 million in 2021.

Share price



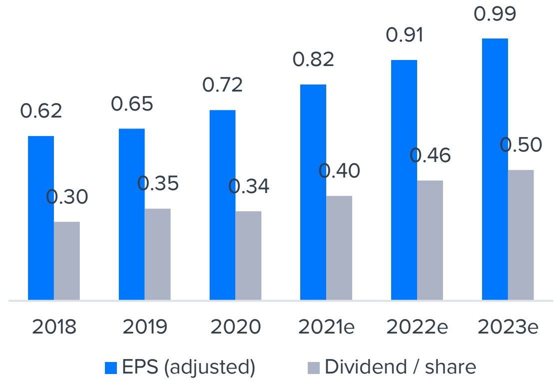
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Revenue growth %
- Increased profitability (Software and Embedded Systems, and Technical Documentation Solutions)
- Expansion to Central Europe
- China's market opening up
- Acquisitions
- Utilizing software expertise and new technology solutions

Risk factors

- Weakening market demand
- Sustainability of current strong profitability
- Fluctuations in demand related to customers' cyclicality
- Possible tightening of competition
- Failure in integration of acquisitions
- Falling between two stools in the industry

Valuation	2021e	2022e	2023e
Share price	17.9	17.9	17.9
Number of shares, millions	25.0	25.0	25.0
Market cap	448	448	448
EV	486	476	465
P/E (adj.)	21.8	19.6	18.0
P/E	22.5	19.6	18.0
P/FCF	38.1	22.1	19.1
P/B	4.5	4.0	3.6
P/S	1.5	1.4	1.3
EV/Sales	1.6	1.5	1.3
EV/EBITDA	11.1	9.8	8.8
EV/EBIT (adj.)	18.2	15.9	14.1
Payout ratio (%)	50.0 %	50.0 %	50.0 %
Dividend yield-%	2.2 %	2.5 %	2.8 %

Source: Inderes

Contents

Key Figures

~20%
Return on equity, average 2000-2020

12.0%
Revenue growth (CAGR-%) 2000 to 2020

7.2%
Average operating profit % 2000-2020

18
Acquisitions 2010-2020*

Service areas

Engineering Solutions

Software and Embedded Solutions

Technical Documentation Solutions

Competitive advantage

1 Managed Services

2 Strong market position in core areas

3 Extensive service packages

4 Opportunities for China offshoring and Poland nearshoring

Business idea

Etteplan provides expert services for equipment and plant solutions through engineering, software and technical documentation

Etteplan

- Long tradition in equipment and plant engineering
- Wide service range for digital transformation
- Exceptional expertise palette for the industry including different software solutions and technical documentation in addition to equipment engineering

Competition

Large Nordic and European players: AFRY, SWECO, ALTEN, bertrandt

Medium-sized Finnish / Swedish players: ELOMATIC, citec, COMATEC®, semcon

Largest customer segments

Forest, pulp and paper 14%

Industrial equipment 14%

Energy and transmission 13%

Mining 10%

Lifting and hoisting 10 %

ICT 7%

Cost structure

3,267 employees (2020)
223 MEUR (2020)

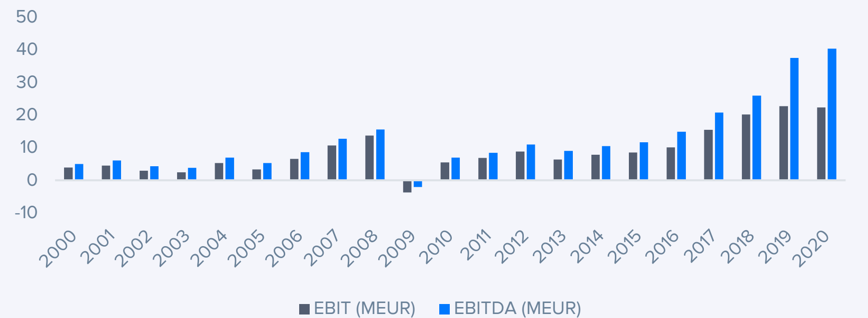
Personnel costs
(68% of costs)

Materials and services
(9%)

Other operating expenses
(9%)

Revenue streams

Revenue 260 MEUR
EBITA 26.4 MEUR (2020)



Source: Inderes, Etteplan. Unless otherwise stated, the figures refer to 2020 figures. *Essential acquisition

Etteplan in brief

Etteplan is a fast-growing engineering expert company. The company's services cover industrial equipment and plant engineering solutions, software and embedded systems solutions and technical documentation solutions.

1983
Year of establishment

2000
IPO

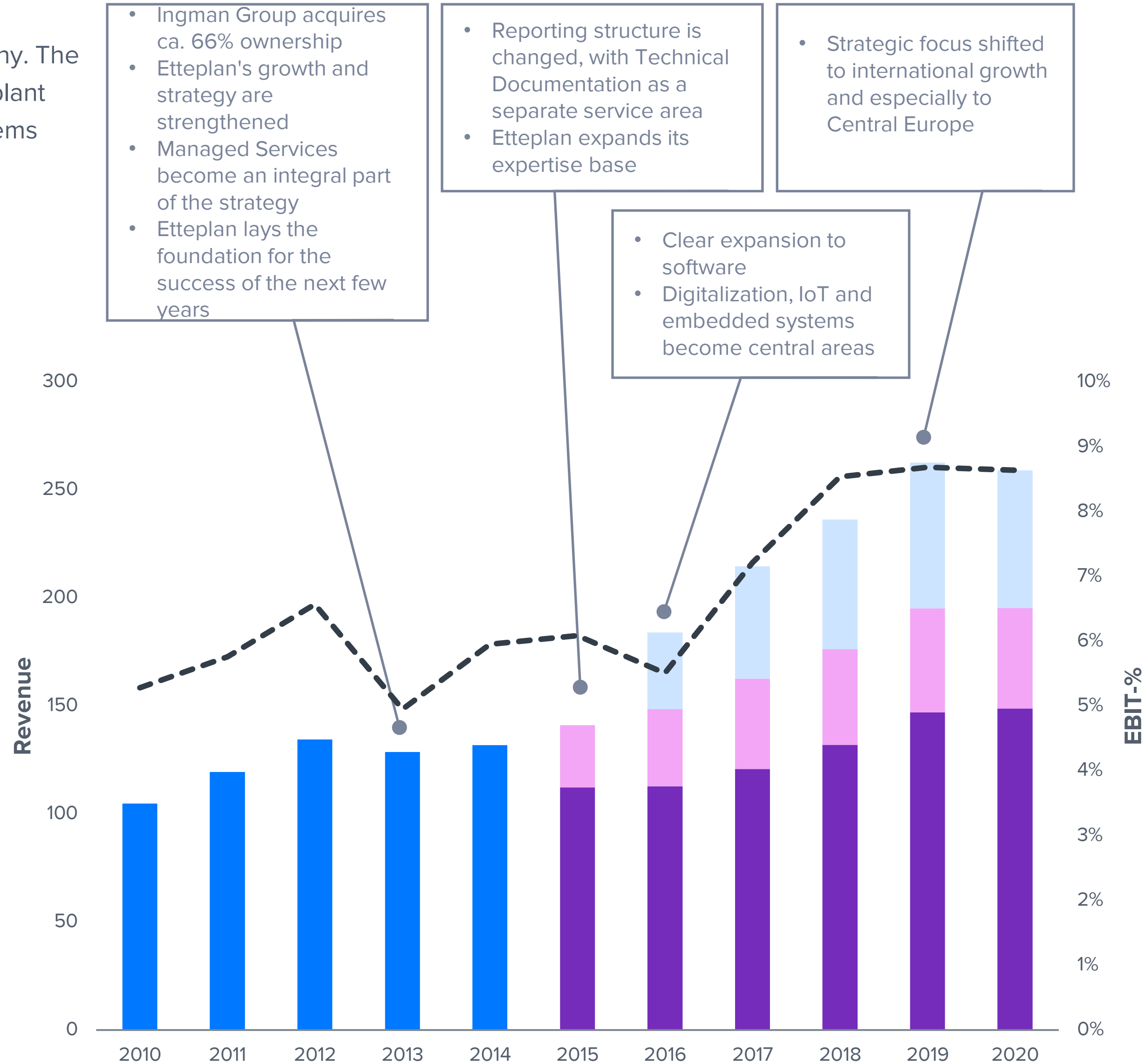
EUR 260 million (-1.4% vs. 2019)
Revenue 2020

61%
Share of Managed Services of revenue (%, 2020)

EUR 26.4 million (10.2% of REV)
EBITA 2020

3,267
Personnel at the end of 2020

57% / 25% / 18%
Breakdown of revenue in 2020 (rounded):
- Engineering Solutions
- Software and Embedded Solutions
- Technical Documentation Solutions



Source: Inderes / Etteplan

Company description and business model 1/4

Company description

Medium-sized technology service company

The company's services cover industrial equipment and plant engineering solutions, software and embedded systems solutions and technical documentation solutions. The company's customers are mainly manufacturing companies. Etteplan has 3,625 employees (Q3'21), most of whom are experts in a wide range of sectors. The company has three service areas through which the company's business can be outlined:

Engineering Solutions refers to innovation, engineering and calculation of the technical characteristics of a customer's machine, equipment or production facilities for product development and manufacturing purposes. Orders are typically product development for a new product, plant design, or delivery planning, where the product is tailored to the requirements of the end customer and to the legislation of the market. Furthermore, the company makes production solutions, e.g., designs production cells for customers, especially after the Tegema acquisition.

Software and Embedded Solutions refer to product development services and software and technology solutions that control machines and equipment and that allow them to be digitally networked into the Internet of things. In recent years, Etteplan has also invested significantly in cloud services and applications, in which the Skyrise acquisition was a significant factor.

Technical Documentation Solutions refer to the documentation of the technical characteristics of a product into user manuals and guides and the management and distribution of the produced content in electronic or printed form. Technical documentation is usually a function outside the core business of an industrial client, which however is essential for smooth and efficient operation of the end customer's maintenance and repair business. This makes the function easy to outsource to a company like Etteplan.

In recent years, Etteplan has invested heavily in IoT and software engineering expertise and also become a major software expert (over 700 experts in the field). This gives the company a very strong service palette to meet current customer needs.

Leading player in Finland, a challenger abroad

Etteplan is the largest machine and equipment engineering company in Finland and one of the largest in the industry in Sweden. In addition, the company is one of Europe's largest companies specializing in technical documentation solutions. In China, the company is the largest Nordic company providing engineering services, but China also plays an important strategic role in the company's competitiveness (offshoring option).

Etteplanin also has operations in the Netherlands (focus on technical documentation), Germany (a base created by acquisitions) and Poland. The company has emphasized its desire to grow especially in Central Europe, where long-term trends are favorable to the demand of the company. For example, a shortage of engineers is already forming in Germany because of demographic factors.

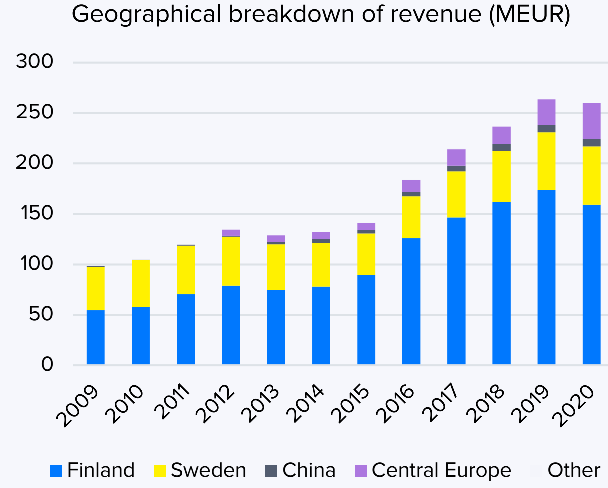
Etteplan's silent transition

2015

- Revenue 141.1 MEUR
- Operating profit 9.5 MEUR (6.8% of revenue)
- Personnel 2,074
- Business focused on engineering solutions and mostly on Finland and Sweden

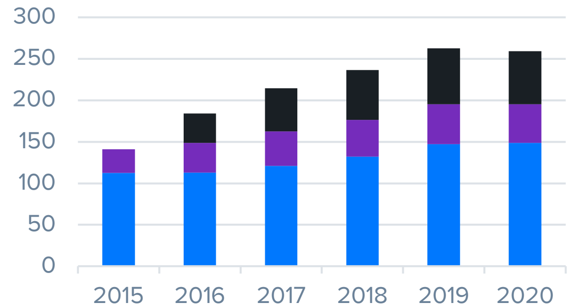
2020

- Revenue 259.7 MEUR
- Operating profit 22.4 MEUR (8.6% of revenue)
- Personnel 3,267
- Business expanded to software solutions, while existing business areas have grown significantly
- Almost 40% of revenue outside of Finland

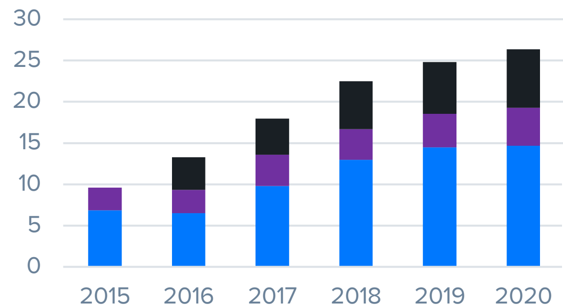


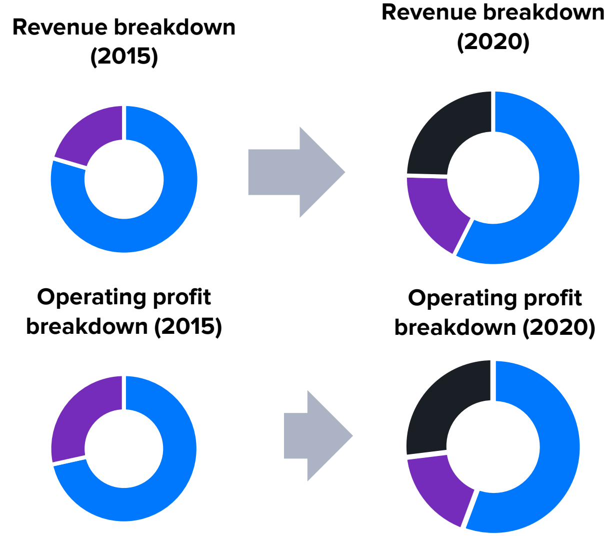
Etteplan's structural change over the last five years

Growth and breakdown of revenue (MEUR)



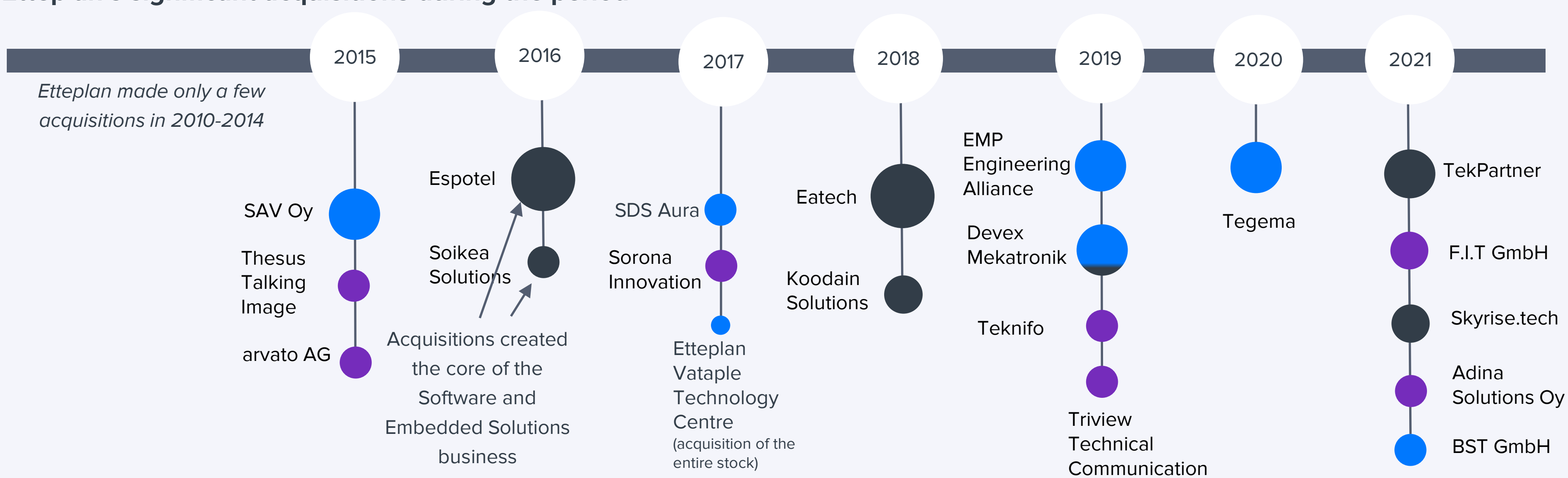
Growth and breakdown of operating profit (MEUR)





Engineering Solutions · Technical Documentation Solutions · Software and Embedded Solutions

Etteplan's significant acquisitions during the period



Source: Inderes NB! The names and part of the structure of Etteplan's service areas have changed during the period, so the figures aren't entirely comparable.

Company description and business model 2/4

Business model

Etteplan is a pioneer in the industry

Etteplan is a clear pioneer in its industry. The traditional business model is mostly resource rental (so-called CV sales) where a customer rents skilled workforce for its own needs, usually to its own location. We believe that the business model has significant weaknesses, such as low visibility to demand, generally an hour-based pricing model, tough competition (especially if demand declines) and often a high personnel turnover.

In our view, it's difficult to build a sustainable competitive advantage on the personnel's expertise if customers can employ the best talent instead of purchasing services from a company like Etteplan with the traditional model. Personnel turnover has historically been a significant problem, especially in Sweden, where the Managed Services model is less common. At the same time, the company loses the business brought by the person that a customer hires.

Managed Services

For years, Etteplan has been developing a business model that we believe is much better than the traditional one: Managed Services (abbreviated: MS) that create more added value. We will discuss the Managed Services approach in more detail on the next page. In comparison to the traditional model, the benefits of MS are clear because Etteplan can define the process, the resources used for it, the pricing of services is based on more added value, and visibility to demand is significantly better than in resource rental.

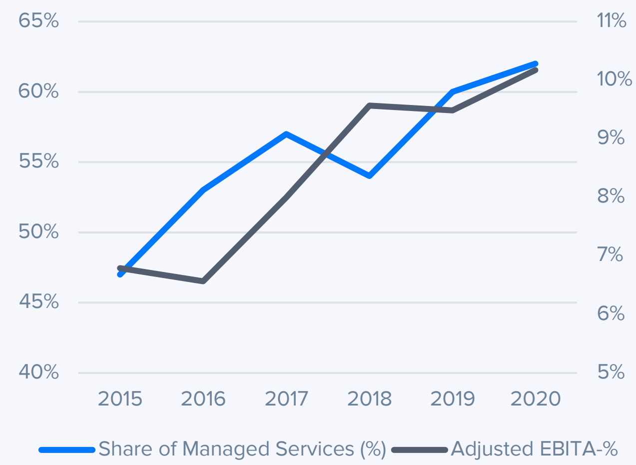
Together, the above factors will lead to a higher level of personnel utilization and improved profitability. It's also worth noting that Etteplan can utilize its own offshoring operations in China and its near-shoring operations in Poland to provide services, which is another essential benefit and improves profitability. For example, when Etteplan is independently responsible for a particular customer process , it's an important partner for the customer and not just a 'resource provider'. This will deepen customer relationships and customer retention.

Pricing is more liberal in MS because generally it's based on the added value that Etteplan provides. It's easy for customers to compare hourly rates and differentiation is difficult. In general, a company specializing in the task performs it more efficiently than a customer company for whom it's traditionally a function outside of its core expertise.

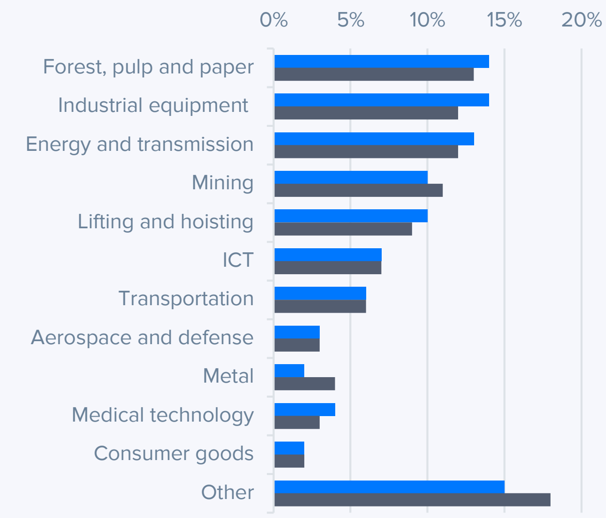
Majority of revenue comes from Managed Services

In 2020, 61% of Etteplan's revenue came from Managed Services, so the majority of revenue are now generated by the new business model. Old resource rental won't be entirely discontinued and it will continue to be part of Etteplan's business. Etteplan's strategic target is that Managed Services will account for 75% of the company's revenue in 2024. This is an ambitious target, but we believe that it's achievable.

Managed Services and profitability



Revenue by customer group (2020 , 2019)



Managed Service (vs. traditional model)

Outsourcing solutions such as content creation for Husqvarna's technical documentation

Key factors	Traditional model	Managed Services		
	Resource rental	Projects	Continuous services	Service products
Project / Process Manager	Customer	Etteplan	Etteplan	Etteplan
Resource management	Customer	Etteplan	Etteplan	Etteplan
Risk bearer	Customer	Etteplan	Etteplan	Etteplan
Requires separate order	Yes	Yes, but based on a template	No	Yes, but based on a template
Conceptualized model	No, renting expertise	Yes	Yes	Yes
Repeatability / copying	Not possible	Partially	Continuous	Yes
Customer commitment level	Small	Significant	Wide	Significant
Typical pricing model	Hourly	Based on added value	Based on added value	Based on added value
Visibility into demand	Poor	Moderate	Very good	Moderate

Limited profitability potential, but relatively high risk in terms of demand (especially without the possibility of lay-offs)

Added value pricing enables better profitability

Enables partial scalability

Visibility into demand is better, but Etteplan also bears more risk for succeeding

Source: Inderes / Etteplan

Company description and business model 3/4

Condensed SWOT analysis

Etteplan's main strengths

Managed Services business model. Etteplan's business model is significantly better than the traditional one in the industry, and in this respect the company is an industry pioneer.

Cost-effective solutions. Etteplan's business model also includes China offshoring and Poland near-shoring potential, which we estimate to have a significant impact on the company's competitiveness and cost-efficiency.

Combining software expertise with engineering. Etteplan has a quite unique service range because it can offer strong engineering expertise in addition to software, IoT and cloud service expertise. In our view, Etteplan is very well-positioned as the digitalization trend continues to be strong.

Long-term customer relationships form the customer base. Etteplan is a traditional operator and has many long-term and strong customer relationships and very valuable references (some presented on the next page). To our understanding, Etteplan's customer turnover has historically been low. Furthermore, the company didn't get into problems, for example, during the COVID pandemic.

Business model that ties little capital Etteplan's business model doesn't require significant fixed investments, which makes the balance sheet structure relatively light (excl. goodwill). Therefore, investments are mainly directed at acquisitions.

Etteplan's main weaknesses

Pricing pressures. Although Etteplan's business model is better than the traditional one, the company's profitability is still vulnerable to price pressure. In particular, in a weaker market situation, we estimate that fully shifting the cost increases to customer prices would be difficult. However, this is possible when the demand situation is strong.

Cyclicality of the customer base. Etteplan's customer base mainly consists of manufacturing industry, whose demand is investment-driven. Today, however, the company's service range is much wider than before, which has reduced the cyclicality. Etteplan's very good profitability through the COVID pandemic showed that the cyclicality of its customers isn't a major threat to the company.

Etteplan's most significant opportunities

Acquisitions. Acquisitions play an important role in increasing expertise and scale. In recent years, Etteplan has been very active in M&A and has grown to a new size class. From an investor's point of view, acquisitions offer an interesting opportunity, as the conditions for creating shareholder value are good when the company's corporate acquisition strategy works well.

China's internal market opening up. In recent years, China's service market has begun to open up, but remains in its infancy in comparison to Western countries. However, a huge service market will form in China, because local companies will also need and appreciate the flexibility and expertise that the model brings. This means that the growth outlook is really strong.

Summary of the SWOT analysis

Strengths	Weaknesses
• The competitive advantage from the Managed Services business model • Cost-efficiency • Combining software expertise with engineering • Strong references • Model that ties little capital	• Continuous price pressure from customers, which means improving the efficiency of own processes • Significant proportion of customers depend on cyclical investments
• Etteplan has a very good track record in M&A, which will continue to offer opportunities in the future • China's internal market gradually opening up	• Uncertainty related to market developments • Substantial tightening of the competitive situation • Falling between two stools when customer requirements are global
Opportunities	**Threats**

Company description and business model 4/4

New technologies. Although Etteplan isn't a technology company, it has some own technological development. Most of the benefits from this usually goes to the customer, but significant innovations will at least support customer retention and pricing power.

The market has strong long-term growth drivers. As products, technology and engineering related to them are becoming increasingly complex, the overall growth outlook of Etteplan's industry is good. The industry is estimated to grow by about 3-5% annually in the long term, which opens up opportunities for Etteplan. It's particularly interesting to follow China's market opening up and the transformation of the service culture into more favorable to Etteplan. However, growth won't be steady in China or Western countries, but there will be a further fluctuation in the demand for investment goods.

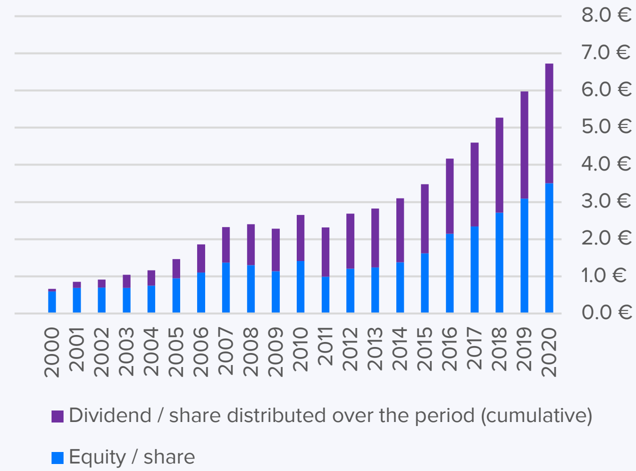
Etteplan's main threats

Substantial tightening of competition. Etteplan has so far faced relatively little competition in the Managed Services business model. In the longer term, it's possible that the company will face more competition as competitors discover the model's higher profitability potential. Increasingly global competition can also create pricing pressure in the industry. The situation is particularly interesting in China, where the market is still young.

Falling between two stools. Etteplan's growth has been mainly strong, but it remains between two stools in a market that is becoming increasingly global. The industry has significantly larger companies, which may be able to meet the requirements of ever-larger customers better than Etteplan. The sector has certain economies of scale and largest companies are also more profitable. In addition, so-called small specialist companies are very likely to remain on the market.

Potential abuses and cyber security are also a significant risk if problems were to arise in China, for example. So far, there have been no problems and we don't expect them, but in a negative scenario, customers' confidence could be significantly diminished.

Strong track record of shareholder value creation



Some of Etteplan's references

KONE, Fortum, BLACK+DECKER, Valmet, ABB, KOMATSU, ORION, SANDVIK, BOMBARDIER, NESTE

Strategy and financial objectives

The core of the strategy

The key objective of Etteplan's strategy is to create more and more value to customers and support them in industrial change. The company's strategy focuses on service solutions that create more value for both customers and Etteplan and bring scalable elements for the service business.

In addition, the company's focus is particularly on developing service solutions that integrate technologies, efficient processes, diverse expertise and engineering methods. As part of this, Etteplan is actively seeking to bring new technologies to increase the value created for the customer.

In addition, the company naturally invests in people in its personnel-driven business to maintain, develop and attract excellence. We believe that the big picture is well in line with the company's long-term development, but the previous reform in 2019 highlighted international growth in particular as a new element. We will now briefly present the long-term core areas of Etteplan's strategy.

Industry pioneer

We believe that Etteplan's Managed Services business model is clearly better than the resource rental model that still dominates the industry. We have discussed this extensively in the past, but we note here that this strategic choice is at the heart of the company.

Acquisitions an important part of the strategy

Etteplan's revenue growth target (500 MEUR by 2024) includes acquisitions and their impact is significant. During the COVID year, the company's growth was impossible, so growth must be significantly accelerated from the previous level to achieve the target.

Etteplan has a good track record of successful implementation of acquisitions and of shareholder value creation through acquisitions. Etteplan seeks not only complementary expertise, but also geographical coverage and economies of scale through acquisitions. The engineering industry is highly consolidated, and the profitability of companies appears to correlate with size class. In addition to the administrative costs of large companies being pushed down, human capital and personnel can likely be better leveraged in large companies. Large companies have better profitability than smaller companies, although there are exceptions, especially in niche segments.

The anchor owner Ingman Group is a very good owner in regard to M&A. It has sufficient financial resources to provide, for example, bridge financing and a certain degree of economic flexibility.

China offers competitiveness and opportunities

China operations are of great strategic importance to Etteplan. China offers the company an effective offshoring opportunity which we consider critical for cost-competitiveness, business model and overall service range. Moreover, China's market opening up will provide the company with a significant growth potential over the next 5-10 years, of which we've only seen the first steps. For these reasons, the role of China and also the opportunity it offers to Etteplan are much greater than a few percent of revenue (2020: 3%) would suggest.

Central Europe is attractive to Etteplan

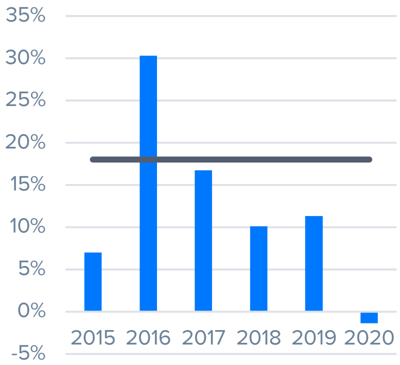
The markets in Central Europe, mainly Germany and the Netherlands, have long been in the works for Etteplan. There is already a lack of engineers in these markets and due to the demographic development of the countries, an actual engineer shortage is forming. In Germany, for example, a large-scale engineer shortage is expected when the population ages and retires, and not enough new engineers are trained. The Central European market will offer very interesting growth opportunities in the next few years.

Etteplan's solution to the engineer shortage in Central Europe would be offshoring, which would generally come from China and later possibly elsewhere too. In addition, the company has a near-shoring option in Poland. However, these solutions won't work without credible local operations, which is why Etteplan has been very active in its acquisitions in Central Europe. Four of the five acquisitions this year have been directed at Central Europe. Therefore, the strategy has progressed, but much remains to be done still.

Financial objectives 2020- 2024

Growth target: Revenue >500 MEUR in 2024

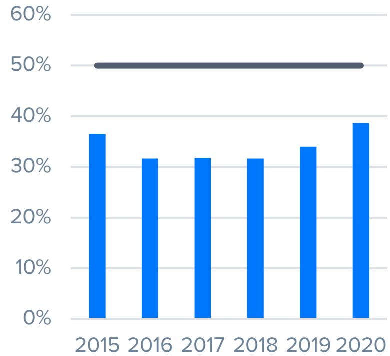
Requires an annual growth rate of 18%



Revenue growth %

50% of revenue Acquisitions outside Finland

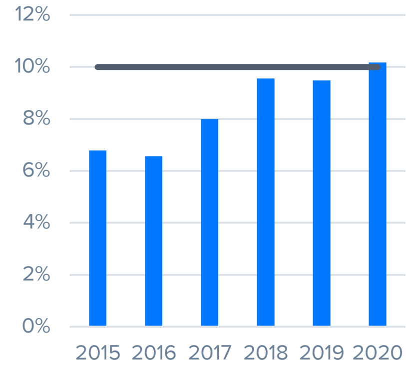
International growth



Revenue outside Finland (%)

Profitability target: EBITA > 10%

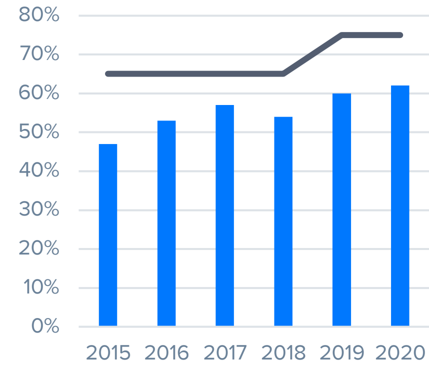
Target already achieved



EBITA %

Managed Services > 75% of the company's revenue

Strategic objective



Share of Managed Services (%)

Ways to achieve the objective and background thoughts

- Continuous development of service solutions, digitalization, international growth and acquisitions
- The market transformation driven by globalization and digitalization divides the market into small local and large global companies
- Growth is critical to meet the changing needs of the customer base.

- Services of all service areas in all countries of operation
- This is a new goal that emphasizes the company's desire to grow internationally
- We estimate that Central Europe is the core area of international growth

- Changing business model toward Managed Services and being the market leader in key areas
- Profitability has improved quite systematically close to the target level
- In the background, a slow structural change also has an impact, as new service areas have higher profitability potential

- Service solutions, technology solutions and project business
- Managed Service models are clearly better than the industry's traditional business model and one of Etteplan's competitive advantages
- The growth of Managed Service models is of great strategic importance, but it's also one of the key drivers behind the profitability improvement

Source: Inderes We have adjusted known non-recurring items from the EBITA figure.

Investment profile

Investment profile

A high-quality profitable growth company

In our view, Etteplan is a high-quality profitable growth company in a consolidating industry. It's a market leader in Finland and a challenger in Sweden, but the company's ambition is considerably higher in Europe. The requirements of large customers are increasingly global, the industry has certain economies of scale and the largest companies are generally more stable and profitable. Therefore, we consider the company's aggressive revenue target of EUR 500 million to be understandable and logical. Achieving this target would require an annual growth rate of around 18% after 2020, making the target very challenging, yet possible when driven by major acquisitions. Etteplan is now clearly emphasizing international growth, especially in Central Europe, where clear signs of progress have already been shown.

Industry pioneer

We believe that Etteplan's Managed Services business model is clearly better than the resource rental model that still dominates the industry. Over 60% of the company's revenue comes from Managed Services that offer more added value, which improves the utilization rate of personnel and thus profitability. With its extensive expertise, the company can offer a wide range of services, including software and IoT, in addition to traditional industrial engineering. These are increasingly critical competition factors for Etteplan's customers. Furthermore, Etteplan has a well-functioning China offshoring, which strengthens the company's competitive edge. Thanks to clear competitive advantages, we consider the company's success potential in Europe to be good, but utilizing the advantages still requires building a local base.

M&A transactions play a key role

M&A transactions play an important role in increasing expertise and scale. After the acute COVID situation has calmed, Etteplan has been very active in M&A and acquired Tegema, TekPartner, F.I.T GmbH, Skyrise.tech, BST GmbH and Adina Solutions. From an investor's point of view, acquisitions offer an interesting opportunity, as the conditions for creating shareholder value are good. At the moment, we estimate that the valuation multiples of purchase targets are generally tight which decreases the possible value creation potential.

Risk profile

The company is not immune to market risks

Etteplan doesn't have essential own products and the company's success is therefore always, to some extent, correspondent with the success of its customers. In other words, demand for the company's services depends on the demand situation of its customers. Customer companies' demand is chiefly cyclical, which also means fluctuations in demand for Etteplan. Etteplan survived the recession caused by the acute COVID pandemic excellently and proved that the company is no longer as cyclical as it has been in the past. Currently, a large proportion of Etteplan's customers are affected by the component shortage, which indirectly affects Etteplan too. We already saw signs of this in connection with the Q3 report. It's not clear how long the challenges will last and how big the impact will be, but it's likely that the impact will be felt still in 2022.

Growth strategy can lead to failures

While we are well aware of Etteplan's acquisition strategy and the desire to internationalize, expansion in new areas will also bring significant new risks. The company's operational history in Central Europe is short, the market differs significantly from Finland in particular and, in our estimate, requires different expertise. In part, a large amount of goodwill in Etteplan's balance sheet (Q3'21: 93 MEUR) is related to this. This is part of normal development in an acquisition-driven strategy and, in our view, not a major risk for Etteplan. However, failed acquisitions could have long-term negative effects on Etteplan's business development.

Liquidity risk present in the share

Etteplan has a clear anchor owner in Ingman Group (over 65%). Although we generally regard this as clearly positive, such a high level of holding limits the free float. Taking into account the share of other large owners that we estimate to be relatively "permanent", free float is only about 10% of the shares. This places constraints on liquidity and makes it very difficult, for example, for larger funds to invest in Etteplan.

Investment profile

1. **Progressive business model**
2. **Strong growth-orientation**
3. **Earnings growth**
4. **Acquisitions and China's potential**
5. **Expanded competence areas and combining them**

Potential

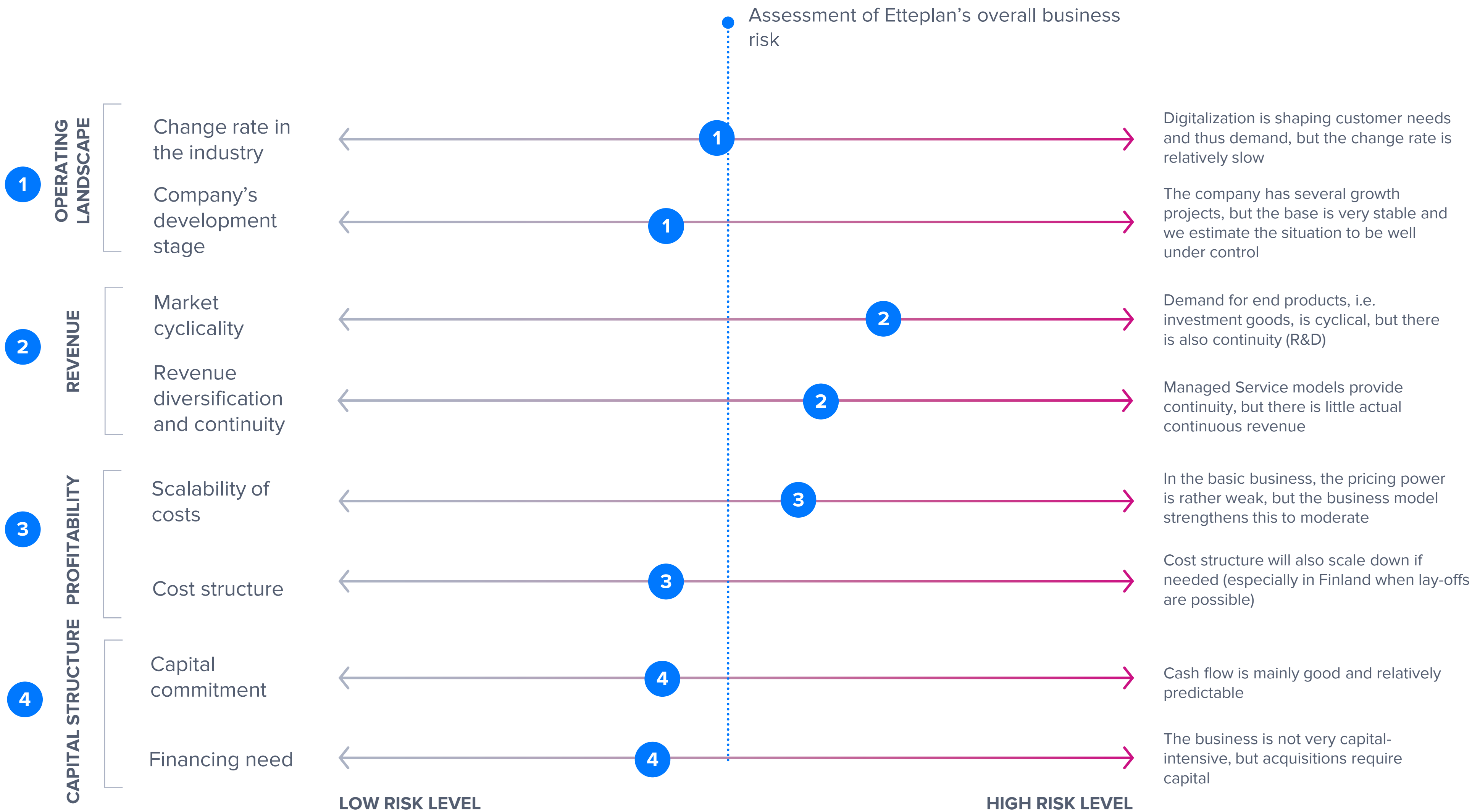
- Organic growth potential
- Maintaining high profitability
- Accelerating growth and creating shareholder value through acquisitions
- Combining new business areas more effieciently
- China’s market opening up
- Low capital requirements

Risks

- Component shortage burdens Etteplan's customers in the short term and has a negative impact on demand
- Substantial tightening of competition
- Failure in acquisitions
- Relatively weak liquidity of the share
- Potential, albeit still distant, goodwill write-downs as profitability is significantly reduced

Source: Inderes

Risk profile of the business model



Source: Inderes

Service area overview 1/3

Engineering Solutions: Basics

Engineering Solutions refers to innovation, engineering and calculation of the technical characteristics of a customer's machine or equipment for product development and manufacturing purposes. Orders are typically product development for a new product, plant design, or delivery planning, where the product is tailored to the requirements of the end customer and to the legislation of the market. Furthermore, the company makes production solutions, e.g., designs production cells for customers, especially after the Tegema acquisition. Tegema is a production system integrator that combines industry experience with the latest robot, software and assembly technologies. The acquisition significantly strengthened Etteplan's competence in the area. Etteplan's Engineering Solutions can also be divided into 1) product design, 2) plant design and 3) production solutions.

The global engineering market is massive and industrial technology is estimated to be more than EUR 30 billion globally. However, the size of the global market isn't relevant to Etteplan, but the development of the European market (especially Finland and Sweden) and China opening up are essential. We believe that the sector's long-term outlook is positive and that growth in the sector will exceed global GDP growth in the long term. However, growth will not be steady. Outsourcing development can be even greater than the growth in engineering services, as a major part of the business is naturally in the customer's own organization. The impact of outsourcing on Etteplan's growth has therefore been significant and we believe that it will continue to be a positive driver for the company.

Although engineering services are clearly a growth sector, the growth rate varies with the demand situation for investment goods. However, our view of the demand cyclicality of the Engineering Solutions segment decreased with the COVID pandemic, as the segment's revenue showed a very strong impact resistance in an exceptional situation.

Engineering Solutions account for 57% of revenue

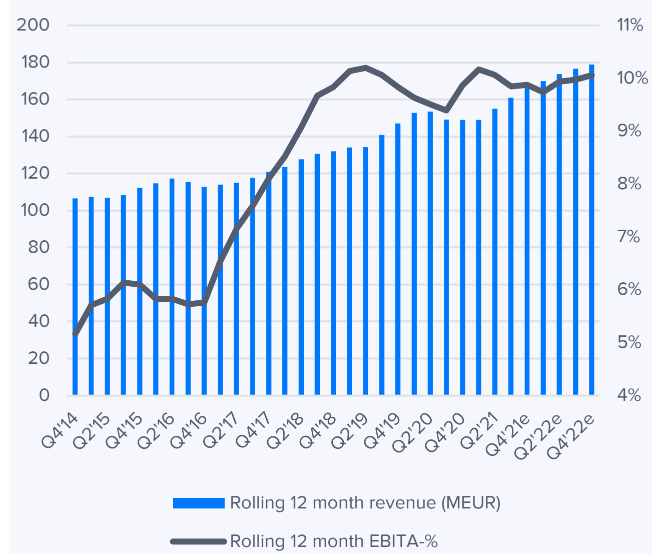
Engineering Services have formed the core of Etteplan since the company was founded in 1983. The business relies heavily on highly skilled personnel and resource rental remains a significant part of it. In 2020, the service area had revenue of EUR 149 million (+1%). Thus, it's clearly the largest service area with about 57% of total revenue. Profitability was excellent in 2020, with a strong EBITA margin of 9.9%. We estimate that the result contribution was exceptionally high, and in the next few years we expect the relative share of Engineering Solutions to decrease and profitability to stabilize.

Etteplan's Engineering Services are growing moderately, with significant growth drivers behind them. These include increased product complexity, shorter life cycles and the industrial internet of things (IoT). Roughly half of Etteplan's demand is related to order/supply processes and half to product development. The former is cyclical, while quality companies traditionally continue to have product development through the economic cycle quite stably.

Examples of growth drivers

- Increased product complexity and shortened life cycles
- Industrial internet (IoT, Etteplan's latest business)
- Requirements for environment-friendly products
- Aging population and developing markets that shape needs
- Customer companies focus increasingly on their core businesses
- 3D printer development (more product variations)

Engineering Solutions



Service area overview 2/3

Organic growth in Engineering Services has been reasonably slow in the longer term, but growth has been accelerated by acquisitions. Now the market situation is again supporting growth, and this year the organic figures have also been good. We estimate that Etteplan has been able to win market share in the service area, at least in the medium term.

Software and Embedded Solutions: Basics

Software and Embedded Solutions refer to product development services and software and technology solutions that control machines and equipment and that allow them to be digitally networked into the internet of things (IoT). In addition, Etteplan has also invested significantly in cloud services and applications, which is an important growth area in the sector. In our view, the segment now has three main areas: 1) embedded systems, 2) software testing, which is an important part of the development process, and 3) cloud solutions and applications. Through its expertise, Etteplan can support customers to utilize new digital business opportunities.

The industrial internet is a huge revolution of the modern age. We believe that the growth of digitalization, IoT, cloud solutions and equipment "intelligence" are really strong trends that will also have a strong impact on the engineering industry. We believe that the greatest challenge is getting talent, where Etteplan has been even surprisingly successful. However, there is a shortage of professionals in the sector, which will likely limit growth. We believe that strong and extensive competence in this area is a clear competitive advantage for Etteplan and opens up the possibility of significant cross-selling. With the extended service concept, we believe that the company can offer new added value to its customers, especially in the development of the maintenance and repair business. Combining IoT expertise with technical documentation can also improve competitiveness. Etteplan continuously aims to improve service area collaboration, but sometimes the challenge is also on the customer side (different departments focus on different development areas).

Etteplan's Software and Embedded Solutions service area has mainly been built on acquisitions. The most recent of these are TekPartner and Skyrise.tech (2021). Previously acquired Eatech and Encoding (2018) followed the Espotel and Soikea Solutions acquisitions (2016), in addition to which Etteplan already had its own expertise base. Currently, Etteplan is already a big player compared to IT service companies, for example.

Software and Embedded Solutions account for 26% of revenue

Software and Embedded Solutions have been part of Etteplan since 2016, when it was still called "Embedded Systems and IoT". In 2020, the service area's revenue was EUR 64 million (-4%), representing about 25% of the Group's revenue. Profitability was excellent in 2020 with EBITA at EUR 7.1 million (i.e. 11% of revenue). In our opinion, the importance of the service area is even more significant in the future. The growth outlook is strong and the profitability potential of the service area is also the highest in Etteplan, possibly more than 12% at EBITA level in a good market situation.

Service examples in the Software and Embedded Solutions area

Embedded Systems

- Antenna, RF and SI design
- Electronics and Embedded Software design
- EM Simulation services
- Cyber Security services

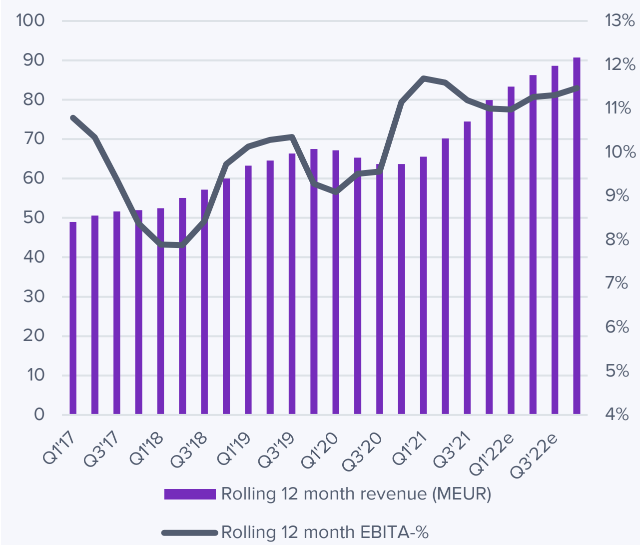
Software Fevelopment and Testing

- User experience and service design
- Business critical solutions, such as Neste's mobile refueling application

Cloud Solutions and Applications

- Design, implementation, consultation and audit of cloud services
- Application development (mobile, web and desktop)

Software and Embedded System Solutions



Service area overview 3/3

Technical Documentation Solutions: Basics

Technical Documentation Solutions refer to the documentation of the technical characteristics of a product into user manuals and guides and the management and distribution of the produced content in electronic or printed form. Technical documentation is usually a function outside the core business of an industrial client, which however is essential for smooth and efficient operation of the end customer's maintenance and repair business.

Technical Documentation Solutions accounts for 18% of revenue

Technical Documentation Solutions have long been an important part of Etteplan's business, and historically the service area has grown profitably. Before and during the COVID pandemic, the area's development has been relatively modest, and in 2020 technical documentation accounted for 18% of the Group's revenue. Slightly surprisingly, the service area has become Etteplan's smallest. However, this is also affected by acquisitions in other areas. However, we expect the area to return to substantial growth in the near future.

In 2020, the service area's revenue was EUR 47 million (-4%), and EBITA-% was ca. 9.9%. The level is reasonable, but we also believe that the profitability potential of the service area is over 12% in a good market situation. Therefore, there is clear room for improvement in profitability and significant growth potential in the service area. In particular, new customer relationships and outsourcing, which Etteplan continues to win with its strong service range are behind previous growth. Due to the high share of Managed Services in the service area, Technical Documentation is relatively stable and reaches good profitability. The service model works well in the area, as technical documentation is often outside the customer's core competence.

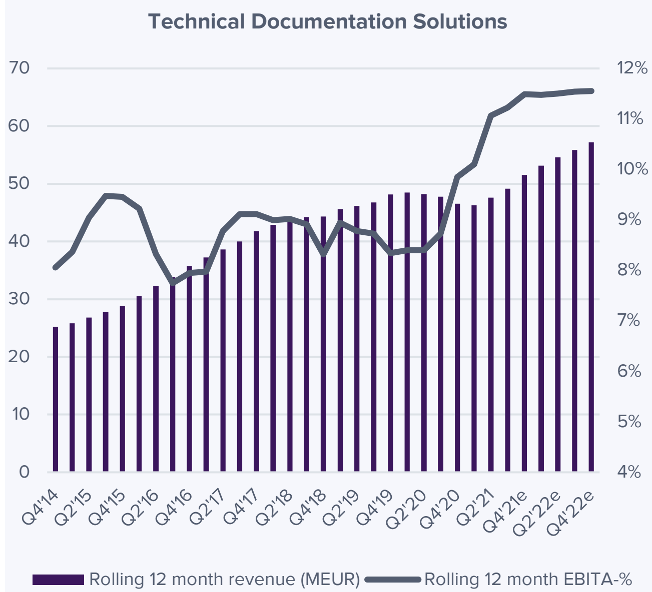
The company has a high-quality service range in documentation

Etteplan is one of the leading players in technical documentation. Together with engineering expertise, Etteplan can produce high-quality technical documentation from product specifications. We consider the company's offering in the area to be highly competitive and of high quality, which makes the company competitive in outsourcing even in the case of clearly larger businesses. Etteplan can make documentation more efficient than the customer by using tools designed for it.

The Technical Documentation business also includes software business, which is already relatively significant (exact size class unknown). Related to this, Etteplan published its first cloud solution for technical documentation in October 2019. Etteplan's HyperSTE is a review tool for technical content written in English. HyperSTE is a SaaS product and a scalable digital service. Software sales haven't yet progressed as expected due to the pandemic, but the company has indicated that the software has attracted a lot of interest. If customers move more and more to SaaS users, this will result in a shift from non-recurring license revenues to continuous monthly billing.

Offering of Technical Documentation

- Installation information for machinery and equipment
- Maintenance and repair information
- Product information management
- Digital product information
- Localization and translation
- Visualization
- User and operator information
- Software for technical documentation
- Document management for manufacturing plants



Competitive situation in different areas

In Finland, Etteplan's position is very strong

In Finland, Etteplan is estimated to be a clear market leader. The engineering segment remains fragmented and a large number of small, local companies operate in the sector. It's very difficult to calculate market shares reliably because companies have focused on different sectors and the engineering market is not a cohesive whole. However, Etteplan has a very good market position in Finland and is by far the biggest player in its own core areas measured by personnel.

In our opinion, the most important competitors in the Finnish engineering market are Comatec and Elomatic Consulting, and in certain areas also Citec. In addition, companies such as AFRY (prev. ÅF / Pöyry) and Rejlers have expanded from Sweden to Finland. Furthermore, the large French company Alten entered the Finnish market in 2014 through an acquisition. Etteplan also performs plant engineering, where the competition includes AFRY (prev. Pöyry) and Sweco.

In Sweden, Etteplan is still a challenger

In Sweden, despite its good success, Etteplan remains in the position of a challenger. Of course, the company is already a major player in the Swedish market, as Etteplan has an estimated workforce of over 600 in Sweden. On the other hand, with this metric the company remains far from its main competitors, which we estimate to be AFRY (ÅF Pöyry), Semcon, Prevas, Sweco and Rejlers, all of which are listed companies on the Stockholm Stock Exchange. These companies are a good peer group for Etteplan in terms of key ratio comparison and share valuation.

In Sweden, the Managed Services model promoted by Etteplan hasn't been as successful as in Finland, but the development has been clearly positive. At the same time, Swedish competitors have also partly started to wake up to the situation (mainly AFRY, which is among the best in the industry). The Swedish market is larger and more traditional than Finland, but positive developments for Etteplan in the dynamics of the industry are visible. In Central Europe, Etteplan is building a growth base.

Technical Documentation Solutions

In technical documentation, Etteplan's main competitors are Swedish Sigma Technology, Semcon and American Lionbridge. Sigma is a company specializing in product information, software and embedded systems. Sigma, owned by Danir AB, has ca. 5,000 employees. Semcon's Product Information segment is a clear competitor in the area, although we estimate that Semcon is focused on the automotive industry. Lionbridge is a large company listed in the United States, but we believe that its focus is more on translation and information localization than on creating high-quality content. Our assessment is that Etteplan's solutions are very competitive compared to others' offerings.

Software and Embedded Solutions

In the Software and Embedded solutions service area, the competition field is more difficult to outline, as there are in principle many IT companies (such as TietoEVRY, Vincit and partly Siili) and there are many new entrants to the hot sector. If you think of the technological expertise of Espotel, in certain areas, it competes with Bittium among others. However, it's difficult to identify direct competitors because the industry is fragmented into different technologies and their applications. The focus areas of the companies vary greatly, but with over 700 software specialists, Etteplan is also a sizable IT service company.

General information on the industry and competition

- The global engineering market is massive and industrial technology is estimated to be around EUR 30 billion industry globally.
- The growth outlook for industrial engineering is good, because the complexity of the products is increasing and their volume is growing, thus also increasing the need for engineering.
- The sector is highly consolidating, as larger companies can often better meet the needs of global customers.
- Etteplan is the market leader in its sector in Finland and most machine workshops on Nasdaq Helsinki are part of its customer base. In Sweden, the company is still in a challenger's position alongside large companies, but it has recently been able to strengthen its position.
- In Central Europe, the company is still in its early stages (excl. Technical Documentation).
- In China, the engineering services market is just opening, but Etteplan's position is good.

Etteplan and IT service companies

- With around 700 software professionals, there's also a medium-sized IT service company inside Etteplan.
- The most obvious competitor of the IT service companies listed on Nasdaq Helsinki is Vincit, who has a slightly similar focus (e.g. business transformation and digitalization).
- Vincit had 478 employees at the end of 2020.

Main competitors in different regions

Company	Relationship with Etteplan	Market cap	Revenue 2020	EBITDA (2020)	EBITDA % (2020)	Number of employees
Comatec	Major competitor in Finland	Not listed	~40 (2020)	No information	No information	~580
Elomatic	Major competitor in Finland	Not listed	~81 (2018)	No information	No information	>1,000
Citec	Significant in Finland in certain areas	Not listed	72.8	7.6	10.4%	>1,000
AFRY	Among the largest in Sweden, significant in Finland	2,824	1,905	226	12.4%	15,271
Semcon	Significant in Sweden	226	163	18.6	11.5%	1,821
Prevas	Relevant in Sweden	122	77	9.2	12.0%	519
Sweco	Among the largest in Sweden, relevant in Finland	5,306	2,086	274	13.2%	17328
Rejlers	Significant in Sweden and Finland	275	237	26.3	11.1%	2,330
Alten	Central Europe, but also Finland & Sweden	5,144	2,332	205.8	8.8%	38,500
Bertrandt	Relevant player in Central Europe	608	915	69.7	7.6%	12,335

Source: Inderes, figures collected from Thomson Reuters on 11/8/2021. Source for non-listed: companies' websites. Figures in millions of euros.

Company	Lifting & Hoisting	Energy & Power Transmission	Mining	Forest & Paper	Medical Technology	Aerospace & Defense	Transportation	Metal
Comatec	(X)	X	X	X		X		(X)
Elomatic	X	(X)		X			X	
Citec	(X)	X	X	(X)				(X)
ÅF		X	X	X	X	X	X	X
Semcon		(X)	(X)	(X)	(X)		X	
Prevas		X	(X)		X	X	X	X
Sweco		X	(X)	X				X
Rejlers	X	X	X	X		X		
Alten	X	X	X	X	X	X	X	X

Source: Inderes

X = sector belongs to areas important to the company (X) = company is active in the sector

Financial position

Key figures in the balance sheet are in good condition

The traditional key figures of Etteplan's balance sheet are in good condition. At the end of Q3, the equity ratio was 42.1% and gearing 61.9%, which are good levels for the company. Lease liabilities brought by the IFRS16 standard considerably increase these figures. These aren't actual interest-bearing liabilities, which is why financial institutions tend to ignore them. For example, without IFRS16 effects, we estimate that the equity ratio would be 46%. The company's own equity ratio target is over 30% (in official figures), to which there's a significant buffer. In our view, this objective clearly indicates how Etteplan wants to use a significant debt leverage in its growth story to support return on equity.

We believe that an equity ratio of 30% would normally be a problem for the company in a crisis situation, but Ingman Group, as the main owner likely assures the company that there won't be financial problems even in a tough spot. For example, at the worst moments of the COVID pandemic, Etteplan's balance sheet situation gave us cause for concern, which proved to be futile rather quickly. Currently, the balance sheet offers the company considerable room for maneuver, for example in the case of acquisitions.

Room for rearrangement in debt

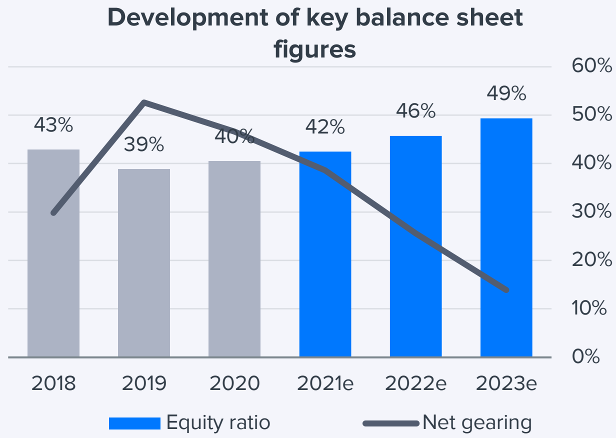
Etteplan's liquid assets totaled EUR 9.2 million at the end of Q3'21, and there was also EUR 7.8 million in unused credit limits. Therefore, the liquidity situation was good, considering the numerous acquisitions made by the company during the year. At the end of Q3, Etteplan had EUR 35.6 million in short-term debt from financial institutions, which by definition expires within one year. The company has previously favored short-term debt, but now the discrepancy between long-term and short-term financial debt is exceptionally high. In theory, the amount of debt falling due is significant in relation to liquid assets, but a company like Etteplan can easily refinance its debt under normal market conditions. However, in exceptional circumstances, problems could arise.

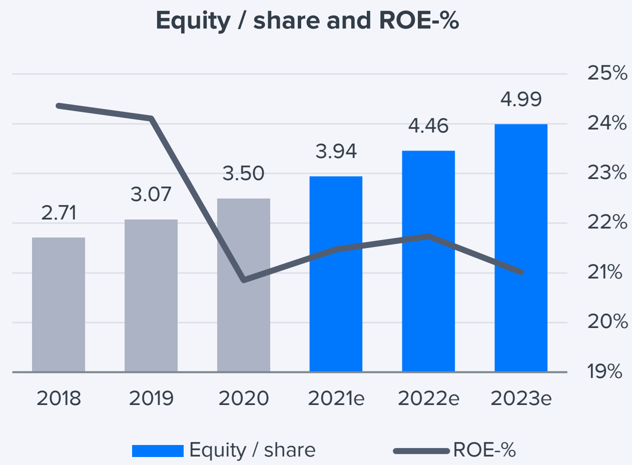
High amount of goodwill is a risk

Etteplan's balance sheet structure, which we will present visually on the next page, is normal for an expert service company that is making acquisitions. On one hand, Etteplan uses a relatively large amount of debt leverage, but on the other hand, the company also has strong cash flows. The only significant balance sheet risk we see is the very high level of goodwill (Q3'21: EUR 93.0 million), which has been accumulated by continuous acquisitions. For the industry, the accumulation of goodwill is natural as expertise is an intangible asset. Moreover, acquisitions also create intangible assets to be depreciated, which makes Etteplan's depreciation significant and justifies the use of the EBITA multiple.

Most acquisitions have been successful and potential write-downs would require significantly longer-lasting problems. At the worst moments of the COVID pandemic, the significant goodwill and debt leverage in the balance sheet were a worrisome combination. Ultimately, however, Etteplan's performance in the pandemic strengthened our view of the company's quality and showed recession resilience.

In general, we believe that Etteplan's economic situation is very good. The company may take more risk with debt leverage, but behind it is a very strong main owner, Ingman Group. Therefore, the company's continuity is well secured and the capital structure supports shareholder value creation.





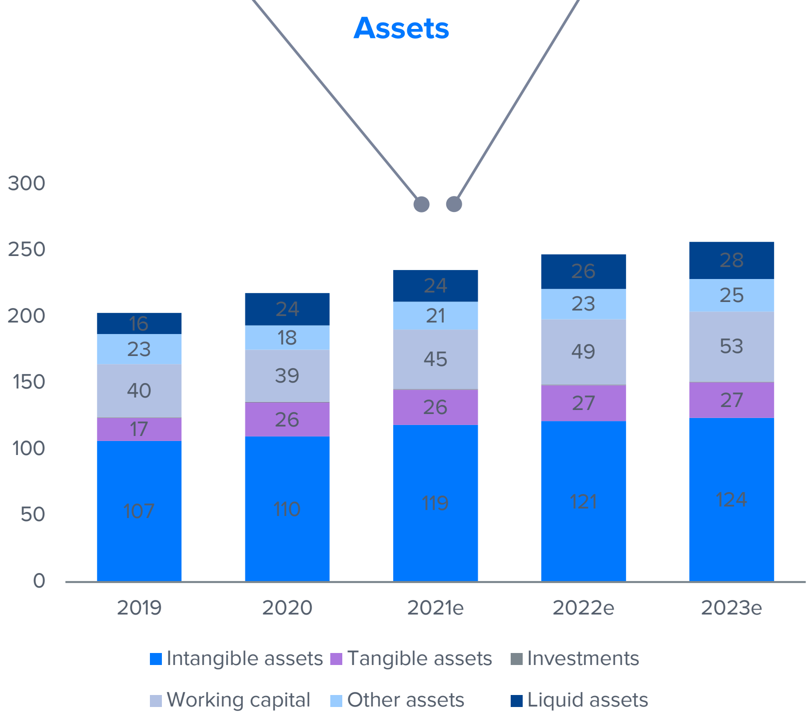
Balance sheet structure and its main items

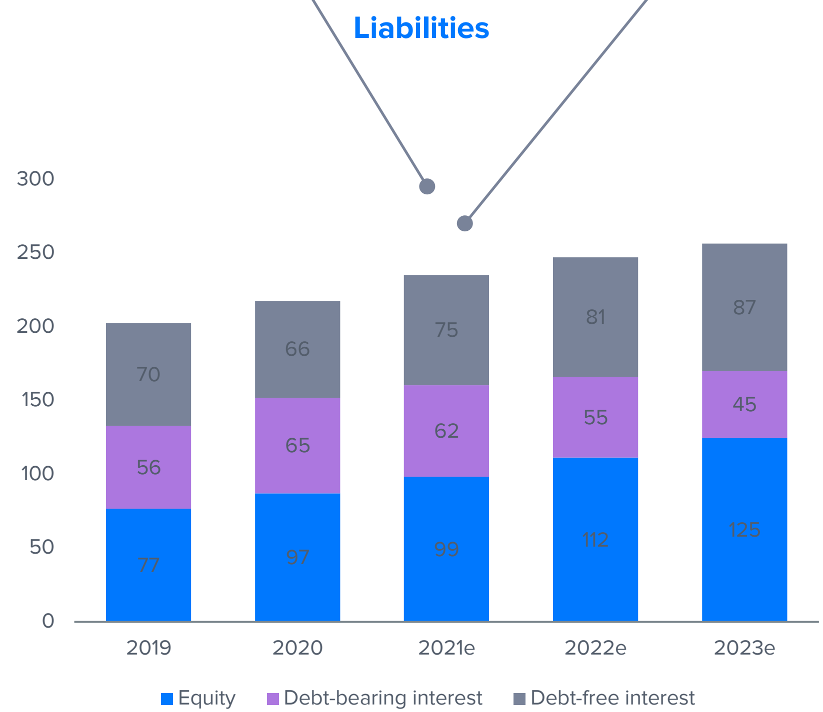
The most significant risk in the balance sheet is goodwill, which at the end of Q3'21 was EUR 93 million, which is roughly the same as equity.

Of assets, working capital comprises in practice sales receivables, which is a large item for the company.

The company has a large amount of short-term debt that expires within one year. However, debt can be rearranged without problems.

The company has a lot of interest-bearing debt, but it's cheap (interest rate of 0.65-2.0%). At the moment, we believe that the financial situation is good.





Estimates 1/3

Strong earnings growth history

In 2000-2020, Etteplan's revenue grew by an average of 12% p.a. growth stopped due to the COVID pandemic in 2020, but now the company is back to accelerating growth and revenue is estimated to increase by 15.2% in 2021. Growth comes both organically and through several acquisitions of different sizes that the company is making left, right and center.

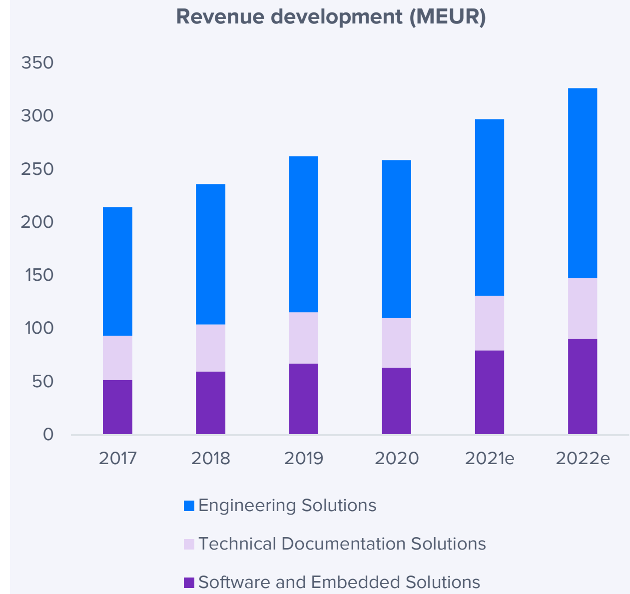
Growth has also been very profitable, which proves that Etteplan's strategy and business model work. Profitability has practically been on a continuous upward trend since 2009, and in 2020, in the middle of COVID, Etteplan achieved its target of 10% EBITA margin for the first time. We believe that the long-term improvement stems from, among other things, the implementation and increase in the share of the Managed Services business model, a significant change in business scale, a gradually progressing structural change to business areas with higher profitability potential (such as software and technical documentation solutions) and improvement in the company's overall operational efficiency.

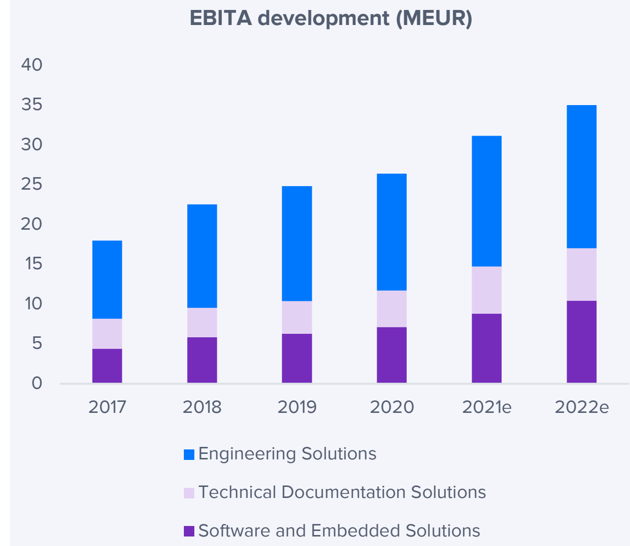
Over the years, Etteplan has shifted from traditional engineering solutions to a much wider offering. According to our estimates, in 2021, Engineering Solutions will account for about 56% of revenue, Software and Embedded Solutions for about 27%, and Technical Documentation Solutions for about 17%. In our view, the profitability potential of Engineering Solutions is at the EBITA margin level of about 10%, while the latter two have potential of over 12%. In 2021, all business areas are close to their EBITA margin potential: Engineering Solutions 9.9%, Software and Embedded Solutions 11.0% and Technical Documentation Solutions 11.5%. We believe that all Etteplan's business areas are currently in excellent form earnings-wise, although there is always room for improvement.

The year 2021 is almost wrapped up

Etteplan's result for 2021 is beginning to be well visible, when three quarters of the year are already behind. Minor concerns in connection with the Q3 report were caused by the marginal decrease of the top end of the revenue guidance and by the fact that a quarter ago Etteplan's comments on the demand situation were, in our view, much more optimistic. This is likely because, at the beginning of Q3, the market was temporarily weaker and the risks of the effects of the component shortage still exist. However, the situation had already normalized toward the end of Q3 and Etteplan is generally an excellent navigator in different market situations, so we are not concerned about the Q4 result.

In connection with the Q3 review, Etteplan announced that revenue for 2021 would be EUR 295-310 million and operating profit EUR 25-28 million. We currently forecast EUR 299 million in revenue and EUR 26.2 million in operating profit for 2021, so our forecasts are well within the guidance range. Earnings per share are expected to be EUR 0.82 in 2021, which would mean an improvement of about 14% from last year. It's telling that earnings growth is now roughly in line with revenue – our estimate is that profitability will remain at last year's very good level. We estimate the EBIT margin to be 8.7% in 2021 (2020: 8.6%). During the COVID pandemic, the cost structure was exceptionally low for certain parts and profitability was very good. We don't expect profitability to significantly improve this year.





Estimates 2/3

Next year still looks good

The visibility to next year is limited, but at least for the moment the market situation seems good. Etteplan's customers have on average high order backlogs and demand has been strong. At present, the macroeconomic situation is interesting, with exceptionally high inflation and at least gradual tightening of monetary policy. The situation is exceptional in many ways, but generally macro-forecasts predict that economic growth will remain strong next year. This would support Etteplan's organic growth, while fresh acquisitions offer inorganic acceleration. Acquisitions will continue, and it's good to note that our forecasts don't include new acquisitions.

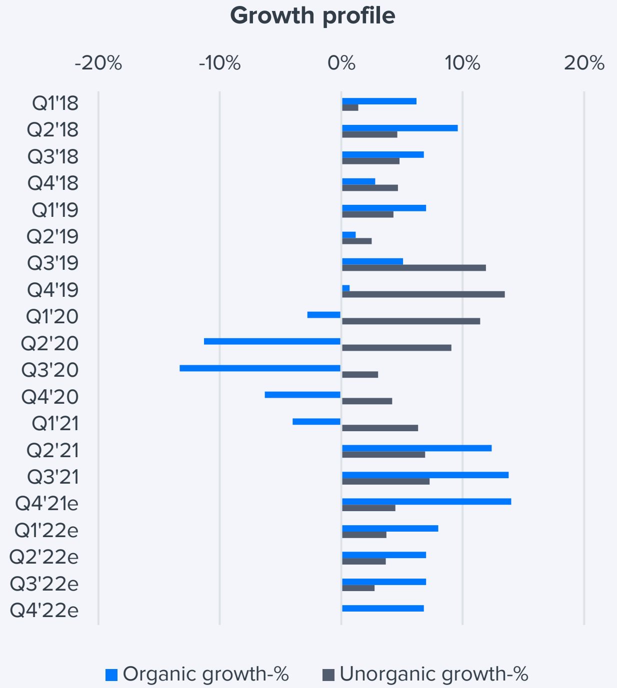
We expect Etteplan's revenue to grow by just under 10% next year, as inorganic growth slows down, especially toward the end of the year. Organic growth is estimated to be over 7%, which Etteplan can achieve even in a moderate market situation by winning market shares. There is uncertainty about market development, particularly toward the end of 2022, so it's good to have a certain safety margin However, actual growth is likely to exceed our forecast as new acquisitions accelerate growth. We now estimate that Etteplan's revenue for 2022 will be ca. EUR 327 million.

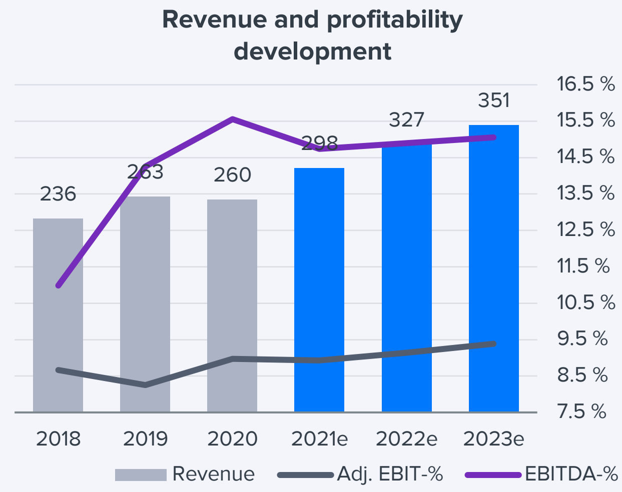
We expect Etteplan's profitability to be at top level next year, based on the company's excellent performance and strong demand. We expect the EBITA margin to be ca. 10.7%, which would be another new record for the company (2021e: 10.5%). We expect profitability to improve slightly in the Software and Embedded Solutions segment, and to remain at a very good level in other areas. Efficient performance continues in general. Of course, there are also uncertainty factors. The increase in wage costs can weigh on profitability, especially in a deteriorating demand situation where the company's pricing power would be weaker. Although the order development of Etteplan's customer base looks very promising now, the visibility to next year's development is relatively weak given the exceptional situation. The component shortage can cause additional problems and reflect to Etteplan through customer delivery delays. In regard to profitability, there is slight concern about the transition of employees to a "new normal", which affects the cost structure. We estimate that the impact will be limited and we have attempted to take this into account as a slightly higher increase in personnel costs.

Medium-term forecasts are scenarios

Visibility to 2023 is already severely reduced. The exceptionally strong demand phase will likely be over, but generally the market drive should still be good. However, it's possible that the current high inflation has significantly tightened monetary policy and weakened the demand for investment goods. We have made our own forecasts under the assumption that Etteplan's market will grow in line with forecasts at approximately 3-5% p.a, with global economic growth being neutral.

We expect Etteplan's revenue growth to continue to be over 7%, which is entirely organic in our estimates. This would bring the Group's revenue to around EUR 350 million in 2023 and EUR 375 million in 2024. The company's revenue target is over EUR 500 million in 2024, so our estimates are far from this. Meeting this target in the next few years would require significant acquisitions, which aren't included in our estimates.





Estimates 3/3

Etteplan's profitability is expected to remain at a very strong level and above the 10% EBITA target. Our 2023 estimates are based on an EBITA margin of around 10.6%. Within the segments, we expect a slight "normalization", a slight decline in the profitability of Engineering Solutions, and a slight improvement of the other two. We estimate that Etteplan is able to maintain a very strong profitability quite painlessly without strong growth-oriented investments and acquisitions. However, these likely lie ahead in coming years, which may change the dynamic significantly. Overall, we consider medium-term estimates to represent a neutral scenario.

Earnings growth rate slows down with the earnings leverage

However, Etteplan is burdened by its own success in the sense that its already excellent profitability significantly brings down earnings growth estimates. In our view, it's difficult to improve from a historically good level (2021e EBITA of 10.5% which is over the company's 10% target), especially as all business areas are already in at least good condition. Naturally this is gradually possible as revenue increases likely faster in more profitable business areas, but this structural change is slow. Moreover, we expect the company to continue to make major growth investments in China and Central Europe, making the task more difficult.

When profitability doesn't offer earnings leverage for revenue growth, we predict that EPS growth in 2021-2024 will "only" be 8.4% (CAGR-%, adjusted EPS). We expect revenue to grow by 8.0% annually during the same period. This is certainly not a bad level in general, but Etteplan's corresponding figure in 2014-2019 was, for example, about 18.5% and over 20% with adjusted result. At this level, the company would already enter the very valuable 'compounder' category, which in turn would be reflected in the acceptable valuation level. Of course, we expect the return on equity (ROE-%) to remain at a very good level of over 20% through the period. Acquisitions will accelerate revenue growth, but there will be no historical earnings leverage unless Etteplan invents new ways to increase profitability. As a result, the earnings growth rate is likely to slow down, even if the company accelerates growth through acquisitions.

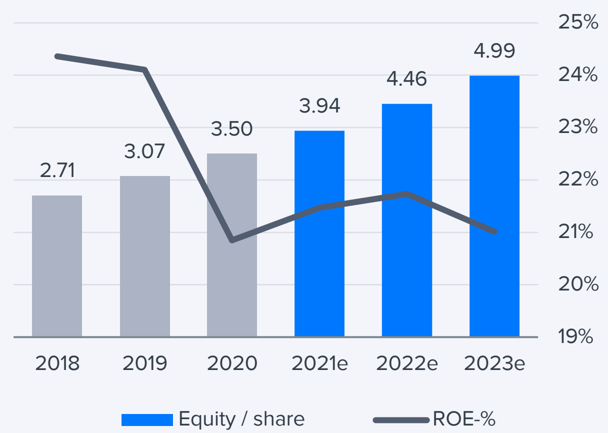
From the point of view of investors, it's negative that profitability is significantly easier to lower than improve from the current level. Yet we are confident that Etteplan will retain outstanding profitability in the future as well. In a comparison that we made earlier in the year, Etteplan had the most efficient cost structure of expert service companies on Nasdaq Helsinki.

High-quality owner-value creator

Etteplan is a good shareholder value creator and the company has a strong track record of profitable growth, which makes it easy to predict positive things for the company in the future. In our view, the company is a pioneer in its industry, the company's Managed Services business model is significantly better than the traditional, the company has made reasonable investments in software and IoT expertise, the company has a well-functioning China offshoring option (and growth potential also in China's internal market), strong references and good reputation in the industry. These should allow Etteplan to grow faster than the market. In addition, the company has a very good history of shareholder value creation and acquisitions, which have largely been successful. In general, we consider the company to be of high quality and well managed. Together, these factors provide a very good basis for earnings growth in the future as well.

EPS growth slows down without leverage from profitability

Equity / share and ROE-%



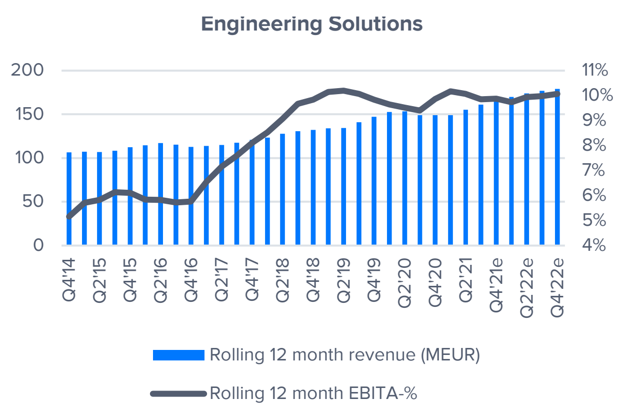
Service area estimates

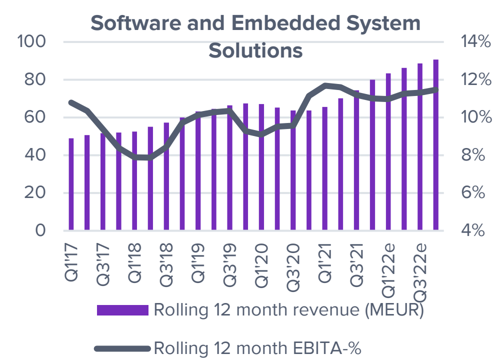
Engineering Solutions	Q1'21	Q2'21	Q3'21	Q4'21e	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2017	2018	2019	2020	2021e	2022e	2023e
Revenue	41,4	42,0	36,9	45,9	45,1	45,8	39,9	48,2	120,9	132,1	147,0	148,9	166,2	179,0	186,1
Revenue growth-%	0,2 %	17,0 %	19,0 %	13,0 %	9,0 %	9,0 %	8,0 %	5,0 %	7,1 %	9,3 %	11,3 %	1,3 %	11,6 %	7,7 %	4,0 %
EBITA	4,4	4,2	3,0	4,8	4,5	4,9	3,4	5,2	9,8	13,0	14,5	14,7	16,4	18,0	18,1
EBITA-%	10,6 %	9,9 %	8,2 %	10,5 %	10,0 %	10,7 %	8,5 %	10,8 %	8,1 %	9,8 %	9,8 %	9,9 %	9,9 %	10,1 %	9,7 %
Share of Managed Services (%)	63 %	63 %	64 %	64 %	65 %	65 %	65 %	65 %	53 %	52 %	55 %	59 %	64 %	65 %	66 %

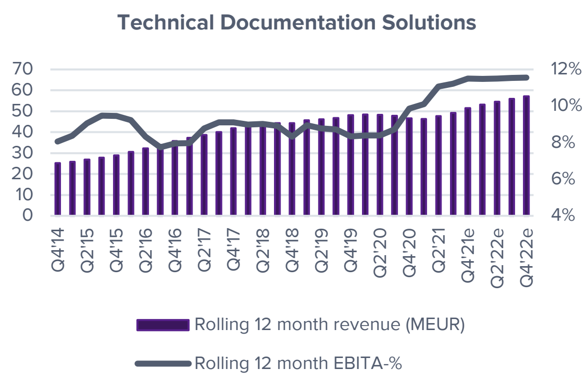
Technical Documentation Solutions	Q1'21	Q2'21	Q3'21	Q4'21e	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2017	2018	2019	2020	2021e	2022e	2023e
Revenue	12,5	13,0	11,8	14,2	14,2	14,4	13,1	15,5	41,8	44,3	48,2	46,5	51,5	57,2	62,9
Revenue growth-%	-2,3 %	11,8 %	15,1 %	20,0 %	13,0 %	11,0 %	11,0 %	9,0 %	17,0 %	6,0 %	8,8 %	-3,5 %	10,7 %	10,9 %	10,0 %
EBITA	1,4	1,6	1,2	1,7	1,6	1,8	1,4	1,9	3,8	3,7	4,1	4,6	5,9	6,6	7,2
EBITA-%	11,0 %	12,5 %	10,2 %	12,0 %	11,0 %	12,5 %	10,5 %	12,0 %	9,1 %	8,3 %	8,5 %	9,8 %	11,5 %	11,5 %	11,5 %
Share of Managed Services (%)	82 %	82 %	83 %	83 %	84 %	84 %	84 %	84 %	77 %	75 %	79 %	80 %	83 %	84 %	85 %

Software and Embedded Solutions	Q1'21	Q2'21	Q3'21	Q4'21e	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2017	2018	2019	2020	2021e	2022e	2023e
Revenue	18,8	19,9	18,1	23,2	22,2	22,8	20,4	25,2	52,0	60,0	67,5	63,7	79,9	90,7	101,6
Revenue growth-%	10,9 %	30,3 %	30,9 %	31,0 %	18,0 %	15,0 %	13,0 %	9,0 %	10,7 %	15,5 %	12,4 %	-5,6 %	25,5 %	13,5 %	12,0 %
EBITA	2,1	2,2	1,6	2,9	2,4	2,7	1,9	3,3	4,4	5,8	6,3	7,1	8,8	10,4	12,0
EBITA-%	11,1 %	10,9 %	9,1 %	12,5 %	11,0 %	12,0 %	9,5 %	13,0 %	8,4 %	9,7 %	9,3 %	11,1 %	11,0 %	11,5 %	11,8 %
Share of Managed Services (%)	51 %	50 %	49 %	50 %	50 %	51 %	51 %	52 %	53 %	47 %	58 %	51 %	50 %	51 %	52 %

NB! In historical data, EBITA is so-called operating profit, which may differ slightly from actual result.







Source: Inderes

Valuation 1/3

Basis for valuation

When valuing Etteplan, we primarily utilize earnings-based valuation multiples, which we also compare with a relevant peer group. In particular, we favor EV/EBIT(DA) and P/E multiples in the valuation, but also dividend yield and dividend growth with less emphasis.

Historically, Etteplan has proven the effectiveness of its strategy and its ability to create shareholder value through acquisitions. The company has also been able to improve its own investment profile and strengthen its position in the industry. According to our estimates, Etteplan will continue to be among the winners of the industry, but the company's share will have a risk profile higher than the industry giants.

With the COVID pandemic shading 2020, the company also proved its ability to deliver excellent results in a very difficult and rapidly changing environment, and also the ability to meet the recovering demand with fast recruitment in 2021. We believe that these factors significantly support Etteplan's acceptable valuation level in relation to historical valuation, but the stock market has made this observation a long time ago. Etteplan's valuation multiples have increased significantly in recent years, which has been a trend in the industry in general.

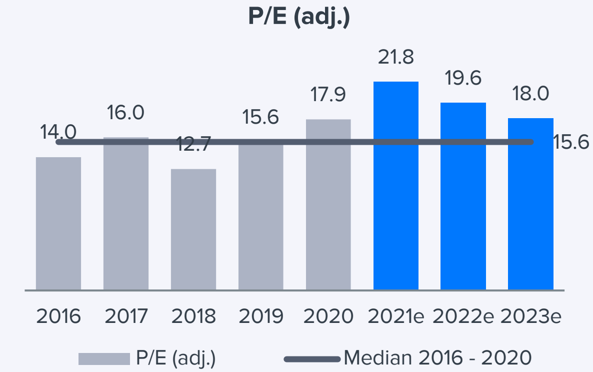
The valuation multiples are high

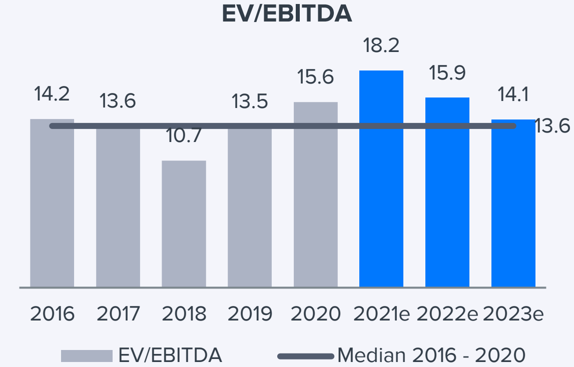
2021 is going down in history with respect to valuation and eyes are on 2022. With our estimates for next year, P/E is ca. 20x, EV/EBIT ca. 16x and EV/EBITDA ca. 10x. Etteplan's reported profit is weighed by the intangible depreciation related to acquisitions (no cash flow effect), which creates a significant discrepancy between EV/EBIT and EV/EBITDA multiples.

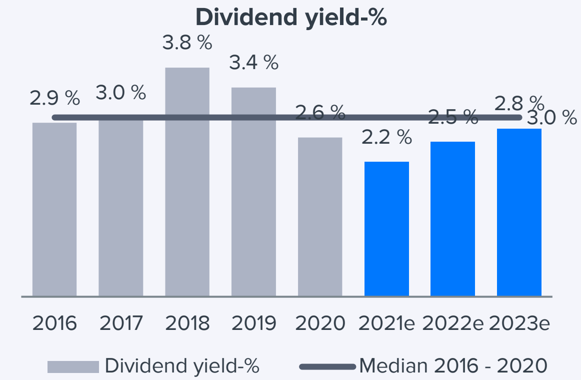
Historically, the valuation has been significantly lower with the P/E multiple, since with the estimates for the same year P/E has been 15-18x. In recent years, there has been an upward trend due to both convincing value creation and stretching of generally acceptable valuation levels. However, ca. 8x EV/EBITDA has been historically accepted for Etteplan with the estimates for the current year. At the moment, the multiples are about 20% higher than in recent years. Strong earnings growth that has continued for years and surviving 2020 with very little damage thus support a clear rise from the moderate historical level. Yet we believe that P/E 20x with our forecasts for next year is a too high valuation in relation to the current earnings outlook that is subdued in comparison to historical levels.

We don't see any upside in the valuation multiples and we believe that investors bear a significant risk that the valuation would return to a clearly lower level. For example, if P/E returned to the historically normal 15x level, this would mean a decrease of over 20% in the share price (without any estimate changes). In negative scenarios, both earnings estimates and valuation multiples could fail, but we currently consider this risk to be moderate. However, we believe that the risk/return ratio of the share is negatively affected by the fact that, after very strong development, we see more downside risks than opportunities to further improve.

We estimate that Etteplan will continue its informal dividend policy, i.e., to pay about 50% of its earnings as dividends. This would currently mean a dividend yield of about 2.2% in spring 2022. The support from the dividend is currently moderate, but historically the dividend yield was on average over 3%. We estimate that dividend growth will also slow down with earnings growth, although the balance sheet itself is strong now.







Valuation 2/3

Relative valuation

There's a good peer group available for Etteplan mainly because of Swedish listed companies and Finnish companies Sitowise, Solwers and partial competitor Vincit are in the peer group. Furthermore, we have complemented the peer group with a few large European companies, such as Alten and Bertrandt. We have also used smaller challengers of the industry such as Ework in the peer group, which aims to create a platform-like model for consultation. Contrastively, Staffline is a more traditional recruitment and staff leasing company. We consider the impact of the latter ones on Etteplan's acceptable valuation very small, but these companies offer a certain perspective on the overall valuation picture. The entire peer group is presented in the annexes of the report.

Etteplan has historically been priced at a clear discount in relation to the peer group, which we don't think is any longer justified. Etteplan has proved to be a pioneer in the industry and the (earnings) growth rates in recent years are better than the average development of the peer group. However, we find it difficult to justify premium pricing because the peer group contains companies that are significantly larger, more stable and have a more attractive risk profile. The acceptable valuation of Etteplan is also weighed down by the share's weak liquidity, which is due to a small free float. Ingman Group, the main owner, owns about 66% of the company and Fincorp, the second largest owner, owns over 10%. Thus, about 76% of the stock is largely locked up. We consider Ingman to be an excellent owner for Etteplan, but the major holding has a negative effect on liquidity.

The peer group creates a good framework for Etteplan's valuation, but we don't blindly follow the valuation the group indicates. We don't want to outsource our own thinking from an acceptable valuation to the market and the peers' consensus forecasts.

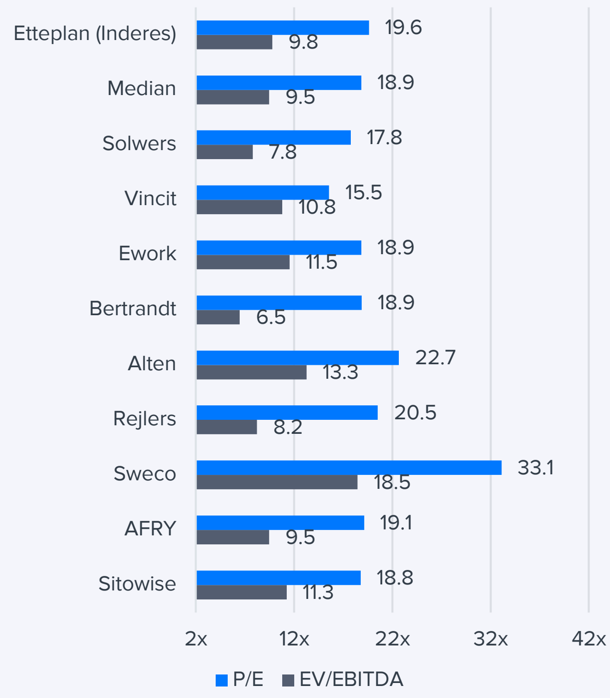
The peer group's 2022e median P/E is currently ca. 19x and EV/EBITDA ca. 10x. On average, the group's valuation is close to Etteplan's current valuation, but at the moment Etteplan is priced at a small premium. We believe that this supports our view that Etteplan's current valuation is challenging. It's worth noting that Etteplan has been valued much higher than the peers with EV/EBIT, which reflects in particular the significant depreciation that comes from acquisitions. We believe that the EV/EBIT and EV/EBITDA multiples should be considered together to get a better overall picture of the valuation.

Cash flow calculation would indicate a higher value

In the valuation, we give a relatively small weight to the cash flow model (DCF), because the calculation is sensitive to minor changes, including terminal period assumptions. However, it supports other valuation tools and based on it, assumptions on which the current share price is based can be assessed. Our DCF model indicates a value of ca. EUR 17.2 per share, which is close to our target price.

In our model, the company's revenue growth will stabilize at 3.0% in the terminal period after stronger medium-term growth, and the EBIT margin will be 8.2% of revenue (2015- 2020 average: 7.4%), which is very good for the company. We point out that these figures are assumptions about averages over the cycle and that in good years Etteplan can do significantly better. New acquisitions are not included in our forecasts.

Peer group valuation multiples (2022e)



Valuation 3/3

In the model, the weight of the terminal period in the value of cash flows remains reasonable, i.e., around 65 %. The average cost of capital in our model (WACC) is 7.9% and the cost of equity is 8.5%, which we consider to be neutral for the company in the current situation. Risk-free interest rate is 2.0%, market risk premium 4.75%, liquidity premium 0.75% and fundamental beta 1.2. The risk-free interest rate is in reality lower, but we believe that what matters in the overall context is that the WACC and the cost of equity make sense in the long term. We believe that this holds true at the moment. The entire DCF calculation is presented in the annexes.

The long-term story is attractive

We consider Etteplan to be a strong investment story in the long term, because we believe that the company is a clear pioneer in its industry. The company's Managed Services (MS) business model is significantly better than traditional and evidence of this is visible in the company's strong profitable growth. The company has a well-functioning China offshoring option (and later the opportunity to grow in China's internal market), near-shoring option in Poland, strong references and a good reputation in the industry.

In addition, Etteplan has made smart investments in software, IoT and cloud expertise and has been constantly able to develop itself in the right direction to meet future challenges. Etteplan is already one of the largest software experts in Finland. Moreover, the company has a very good track record of shareholder value creation and acquisitions that have largely been successful. Therefore, we consider Etteplan to be a generally high-quality, well-run company, which is likely continues to generate shareholder value in the future.

Target price and recommendation

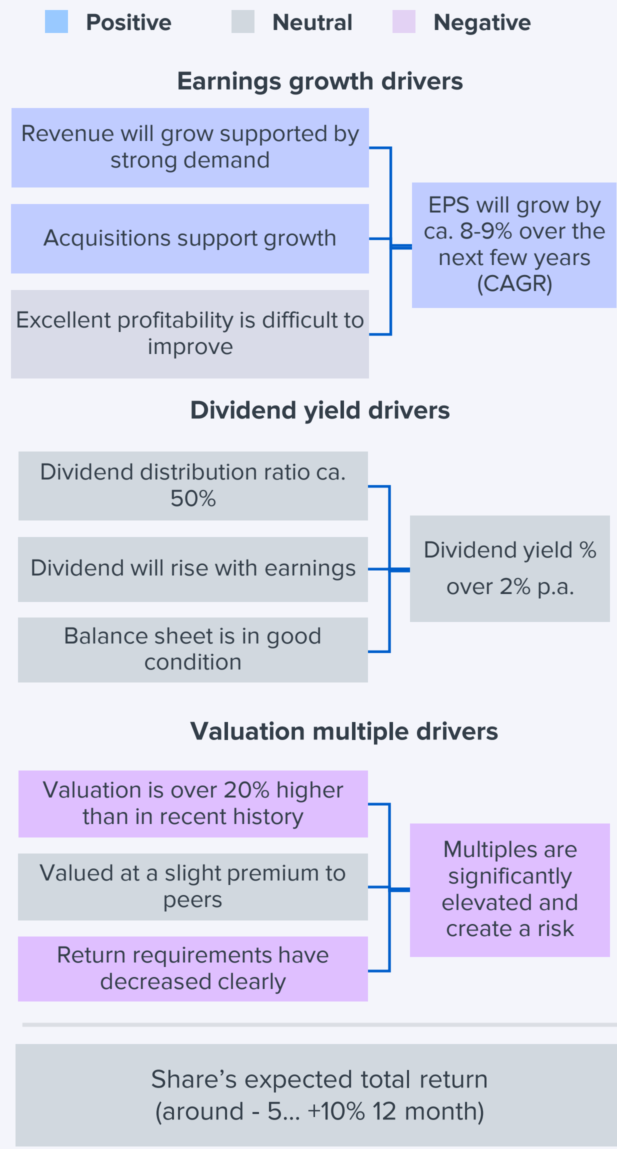
Although we believe that the company is a strong value creator, with the current valuation the return expectation for investors is thin and the risk/return ratio is unsatisfactory. Therefore, we reiterate our Reduce recommendation for Etteplan with a target price of EUR 17.0. In our opinion, the valuation of the share is learning forward too much to justify purchases.

In our view, the sector is currently popular among investors and valuation levels are generally high, but the sustainability of the current strong market situation remains uncertain, as does the macroeconomic outlook. One example of this popularity is the fact that IT service sector companies of the Helsinki Stock Exchange are now largely valued below Etteplan. Historically, it has been the other way around.

We believe that the share's valuation level is high and contains clear risks, which are however significantly reduced by the support of the main shareholders. Just recently, Robert Ingman bought a block of 80,000 shares for a share price of EUR 17.2. Therefore, the main owner Ingman Group clearly considers the valuation level to still be reasonable, even though the investment is small in the big picture. However, we don't expect the main owner Ingman Group to increase its holding in Etteplan, because we believe it's easier for the company to implement its growth strategy when listed.

Etteplan's efficient operations can create value in almost any market situation, but we think it's worth making share purchases when expectations are lower. We urge investors to wait for more attractive purchase opportunities in Etteplan's long-term growth story.

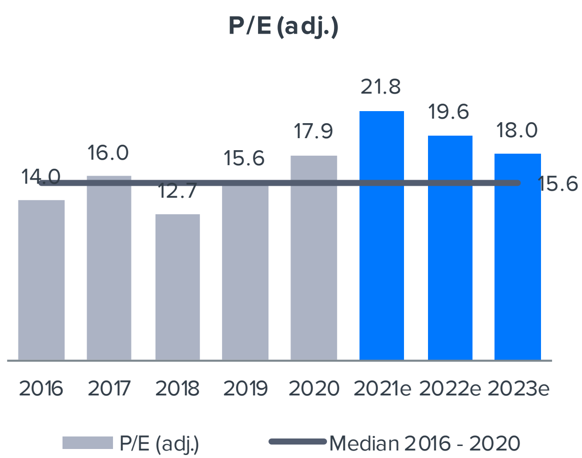
TSR drivers

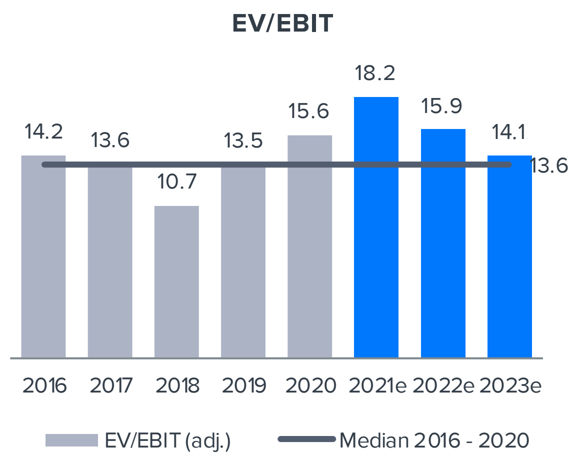


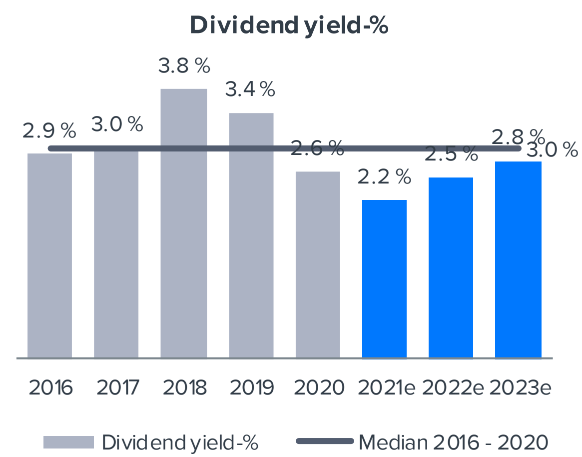
Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	5.58	7.78	7.94	10.2	13.0	**17.9**	**17.9**	**17.9**	**17.9**
Number of shares, millions	22.8	24.5	25.0	25.0	24.9	**25.0**	**25.0**	**25.0**	**25.0**
Market cap	137	191	198	253	322	**448**	**448**	**448**	**448**
EV	167	216	218	294	363	**486**	**476**	**465**	**453**
P/E (adj.)	14.0	16.0	12.7	15.6	17.9	**21.8**	**19.6**	**18.0**	**17.1**
P/E	17.1	16.6	13.0	14.6	18.9	**22.5**	**19.6**	**18.0**	**17.1**
P/FCF	neg.	16.4	49.0	neg.	42.4	**38.1**	**22.1**	**19.1**	**18.2**
P/B	2.6	3.3	2.9	3.3	3.7	**4.5**	**4.0**	**3.6**	**3.2**
P/S	0.7	0.9	0.8	1.0	1.2	**1.5**	**1.4**	**1.3**	**1.2**
EV/Sales	0.9	1.0	0.9	1.1	1.4	**1.6**	**1.5**	**1.3**	**1.2**
EV/EBITDA	11.2	10.4	8.4	7.8	9.0	**11.1**	**9.8**	**8.8**	**8.3**
EV/EBIT (adj.)	14.2	13.6	10.7	13.5	15.6	**18.2**	**15.9**	**14.1**	**13.1**
Payout ratio (%)	53.0 %	49.2 %	49.0 %	50.3 %	49.5 %	**50.0 %**	**50.0 %**	**50.0 %**	**50.0 %**
Dividend yield-%	2.9 %	3.0 %	3.8 %	3.4 %	2.6 %	**2.2 %**	**2.5 %**	**2.8 %**	**2.9 %**

Source: Inderes







Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e
AFRY	262.20	2832	2720	16.0	13.8	10.9	9.5	22.2	19.1	2.4	2.7	2.7
Semcon	118.40	222	207	12.6	11.0	9.8	9.0	16.8	14.8	5.7	3.7	2.8
Sweco	157.80	5739	6209	32.6	28.3	20.2	18.5	36.5	33.1	1.5	1.6	6.9
Rejlers	140.80	258	278	18.8	14.8	9.5	8.2	22.9	20.5	2.1	2.5	2.3
Alten	151.40	5256	5246	19.0	16.3	15.0	13.3	25.8	22.7	0.7	0.7	3.7
Bertrandt	58.00	603	680	28.4	13.3	9.2	6.5	48.2	18.9	0.5	2.2	1.5
Ework	114.00	198	198	15.6	14.4	12.3	11.5	19.7	18.9	3.9	4.2	10.0
Vincit	8.16	102	97	19.4	13.9	13.9	10.8	19.6	15.5	2.4	2.7	4.2
Staffline	59.20	119	99	9.3	7.5	6.2	5.3	12.2	13.1			
Sitowise	8.22	298	354	19.7	19.2	13.1	11.3	28.8	18.8	1.3	1.9	2.6
Solwers	7.42	64	62	14.6	10.8	10.0	7.8	25.7	17.8	1.1	1.2	2.0
Etteplan (Inderes)	**17.90**	**448**	**486**	**18.2**	**15.9**	**11.1**	**9.8**	**21.8**	**19.6**	**2.2**	**2.5**	**4.5**
Average				**18.7**	**14.8**	**11.8**	**10.1**	**25.3**	**19.4**	**2.2**	**2.3**	**3.9**
Median				**18.8**	**13.9**	**10.9**	**9.5**	**22.9**	**18.9**	**1.8**	**2.3**	**2.8**
Diff-% to median				***-3%***	***15%***	***2%***	***3%***	***-5%***	***4%***	***24%***	***9%***	***65%***

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

Income statement

Income statement	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21e	2021e	2022e	2023e	2024e
Revenue	**263**	**71.3**	**62.9**	**55.2**	**70.3**	**260**	**73.0**	**75.0**	**66.9**	**83.3**	**298**	**327**	**351**	**375**
Group	263	71.3	62.9	55.2	70.3	260	73.0	75.0	66.9	83.3	298	327	351	375
EBITDA	**37.5**	**9.7**	**9.9**	**9.1**	**11.7**	**40.4**	**11.0**	**11.1**	**9.1**	**12.7**	**43.9**	**48.7**	**52.8**	**54.5**
Depreciation	-14.7	-4.1	-4.5	-4.8	-4.6	-18.0	-4.4	-4.4	-4.5	-4.6	-17.9	-18.8	-19.9	-20.0
EBIT (excl. NRI)	**21.7**	**5.8**	**5.7**	**4.3**	**7.4**	**23.3**	**6.6**	**7.1**	**4.8**	**8.1**	**26.6**	**29.9**	**32.9**	**34.5**
EBIT	**22.8**	**5.7**	**5.4**	**4.3**	**7.1**	**22.4**	**6.6**	**6.7**	**4.6**	**8.1**	**26.1**	**29.9**	**32.9**	**34.5**
Group	22.8	5.7	5.4	4.3	7.1	22.4	6.6	7.1	4.8	8.1	26.6	29.9	32.9	34.5
Net financial items	-0.9	-0.1	-0.3	-0.3	-0.5	-1.3	-0.1	-0.4	-0.2	-0.2	-0.9	-1.0	-1.1	-1.0
PTP	**21.9**	**5.5**	**5.0**	**4.0**	**6.6**	**21.1**	**6.5**	**6.3**	**4.4**	**7.9**	**25.1**	**28.9**	**31.8**	**33.5**
Taxes	-4.5	-1.3	-1.1	-0.7	-0.9	-4.0	-1.2	-1.4	-1.0	-1.7	-5.2	-6.1	-7.0	-7.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**17.4**	**4.2**	**3.9**	**3.3**	**5.7**	**17.1**	**5.3**	**4.9**	**3.4**	**6.3**	**19.9**	**22.8**	**24.8**	**26.1**
EPS (adj.)	**0.65**	**0.18**	**0.17**	**0.13**	**0.24**	**0.72**	**0.21**	**0.21**	**0.14**	**0.25**	**0.82**	**0.91**	**0.99**	**1.05**
EPS (rep.)	**0.70**	**0.17**	**0.16**	**0.13**	**0.23**	**0.69**	**0.21**	**0.20**	**0.14**	**0.25**	**0.80**	**0.91**	**0.99**	**1.05**

Key figures	2019	Q1'20	Q2'20	Q3'20	Q4'20	2020	Q1'21	Q2'21	Q3'21	Q4'21e	2021e	2022e	2023e	2024e
Revenue growth-%	11.3 %	8.6 %	-2.2 %	-10.3 %	-2.1 %	-1.4 %	2.3 %	19.3 %	21.1 %	18.5 %	14.8 %	9.6 %	7.3 %	7.0 %
Adjusted EBIT growth-%	6.0 %	-2.3 %	-1.5 %	-11.6 %	46.7 %	7.2 %	12.9 %	25.7 %	9.6 %	9.4 %	14.3 %	12.2 %	10.2 %	4.8 %
EBITDA-%	14.3 %	13.6 %	15.7 %	16.5 %	16.6 %	15.6 %	15.1 %	14.8 %	13.6 %	15.3 %	14.7 %	14.9 %	15.1 %	14.5 %
Adjusted EBIT-%	8.3 %	8.2 %	9.0 %	7.9 %	10.6 %	9.0 %	9.0 %	9.5 %	7.1 %	9.8 %	8.9 %	9.1 %	9.4 %	9.2 %
Net earnings-%	6.6 %	5.9 %	6.3 %	5.9 %	8.1 %	6.6 %	7.3 %	6.6 %	5.1 %	7.5 %	6.7 %	7.0 %	7.1 %	7.0 %

Source: Inderes

Balance sheet

Assets	2019	2020	2021e	2022e	2023e
Non-current assets	**124**	**136**	**146**	**149**	**152**
Goodwill	79.0	83.7	88.7	88.7	88.7
Intangible assets	27.5	26.0	29.8	32.7	35.1
Tangible assets	17.3	25.7	26.6	27.1	27.0
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.4	0.4	0.4	0.4	0.4
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.3	0.5	0.5	0.5	0.5
Current assets	**78.4**	**81.6**	**89.3**	**97.9**	**105**
Inventories	0.3	0.3	0.3	0.3	0.4
Other current assets	22.5	17.8	20.4	22.4	24.0
Receivables	39.7	39.1	44.7	49.0	52.6
Cash and equivalents	15.9	24.4	23.9	26.1	28.0
Balance sheet total	**203**	**218**	**235**	**247**	**257**

Source: Inderes

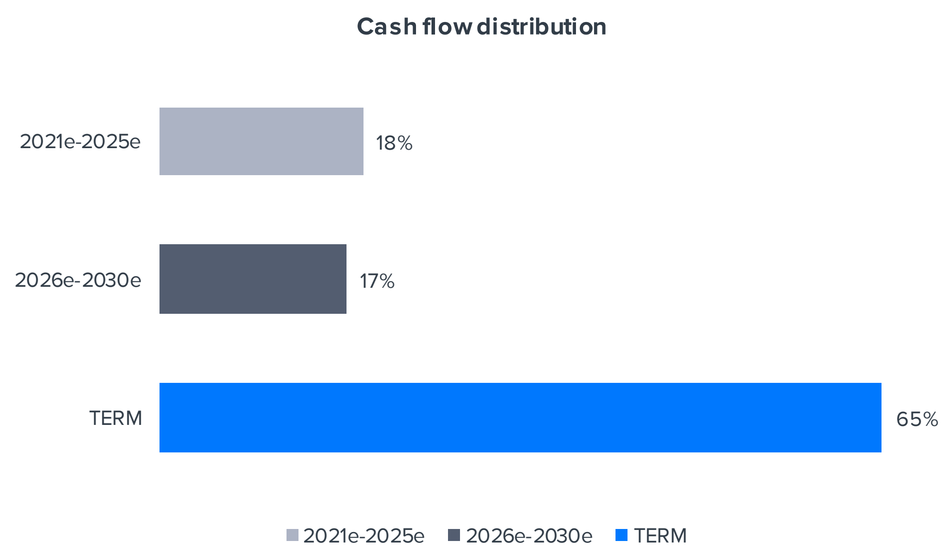
Liabilities & equity	2019	2020	2021e	2022e	2023e
Equity	**76.7**	**87.1**	**98.5**	**111**	**125**
Share capital	5.0	5.0	5.0	5.0	5.0
Retained earnings	49.8	58.2	69.6	82.5	95.9
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	1.7	0.0	0.0	0.0	0.0
Other equity	20.2	23.9	23.9	23.9	23.9
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**39.6**	**28.0**	**42.9**	**38.3**	**32.6**
Deferred tax liabilities	6.5	6.5	6.5	6.5	6.5
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	33.1	21.5	36.3	31.8	26.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**86.5**	**103**	**93.9**	**97.6**	**99.3**
Short term debt	23.1	43.5	25.6	22.9	19.3
Payables	61.0	56.6	65.6	71.9	77.1
Other current liabilities	2.4	2.8	2.8	2.8	2.8
Balance sheet total	**203**	**218**	**235**	**247**	**257**

DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
EBIT (operating profit)	**22.4**	**26.1**	**29.9**	**32.9**	**34.5**	**35.8**	**37.1**	**38.1**	**39.0**	**39.6**	**40.8**	
+ Depreciation	18.0	17.9	18.8	19.9	20.0	20.1	21.0	21.2	22.3	23.4	24.3	
- Paid taxes	-4.2	-5.2	-6.1	-7.0	-7.4	-7.7	-8.0	-8.3	-8.5	-8.6	-8.8	
- Tax, financial expenses	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.2	-0.2	
+ Tax, financial income	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	1.3	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	**37.2**	**39.3**	**42.4**	**45.5**	**46.9**	**48.0**	**49.9**	**50.9**	**52.7**	**54.3**	**56.2**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-29.6	-27.6	-22.2	-22.1	-22.3	-23.3	-22.9	-24.7	-25.9	-26.5	-26.7	
Free operating cash flow	**7.6**	**11.7**	**20.2**	**23.5**	**24.6**	**24.7**	**27.0**	**26.2**	**26.8**	**27.9**	**29.5**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	7.6	11.7	20.2	23.5	24.6	24.7	27.0	26.2	26.8	27.9	29.5	622
Discounted FCFF		**11.7**	**18.6**	**20.0**	**19.4**	**18.1**	**18.3**	**16.5**	**15.7**	**15.1**	**14.8**	**312**
Sum of FCFF present value		480	469	450	430	411	392	374	358	342	327	312
Enterprise value DCF		**480**										
- Interesting bearing debt		-65.0										
+ Cash and cash equivalents		24.4										
-Minorities		0.0										
-Dividend/capital return		-8.5										
Equity value DCF		**431**										
Equity value DCF per share		**17.3**										

Wacc	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	3.5 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	0.75%
Risk free interest rate	2.0 %
Cost of equity	**8.5 %**
Weighted average cost of capital (WACC)	**7.9 %**

Source: Inderes



Summary

Income statement	2018	2019	2020	2021e	2022e
Revenue	236.5	263.3	259.7	**298.1**	**326.9**
EBITDA	26.0	37.5	40.4	**43.9**	**48.7**
EBIT	20.2	22.8	22.4	**26.1**	**29.9**
PTP	19.4	21.9	21.1	**25.1**	**28.9**
Net Income	15.3	17.4	17.1	**19.9**	**22.8**
Extraordinary items	-0.3	1.1	-0.9	**-0.6**	**0.0**

Balance sheet	2018	2019	2020	2021e	2022e
Balance sheet total	160.6	202.9	217.9	**235.3**	**247.3**
Equity capital	67.5	76.7	87.1	**98.5**	**111.4**
Goodwill	65.2	79.0	83.7	**88.7**	**88.7**
Net debt	20.1	40.4	40.6	**38.0**	**28.5**

Cash flow	2018	2019	2020	2021e	2022e
EBITDA	26.0	37.5	40.4	**43.9**	**48.7**
Change in working capital	2.5	4.1	1.3	**0.8**	**0.0**
Operating cash flow	25.1	38.8	37.2	**39.3**	**42.4**
CAPEX	-15.4	-48.1	-29.6	**-27.6**	**-22.2**
Free cash flow	4.0	-3.4	7.6	**11.7**	**20.2**

Valuation multiples	2018	2019	2020	2021e	2022e
EV/S	0.9	1.1	1.4	**1.6**	**1.5**
EV/EBITDA (adj.)	8.4	7.8	9.0	**11.1**	**9.8**
EV/EBIT (adj.)	10.7	13.5	15.6	**18.2**	**15.9**
P/E (adj.)	12.7	15.6	17.9	**21.8**	**19.6**
P/E	2.9	3.3	3.7	**4.5**	**4.0**
Dividend-%	3.8 %	3.4 %	2.6 %	**2.2 %**	**2.5 %**

Source: Inderes

Per share data	2018	2019	2020	2021e	2022e
EPS (reported)	0.61	0.70	0.69	**0.80**	**0.91**
EPS (adj.)	0.62	0.65	0.72	**0.82**	**0.91**
OCF / share	1.01	1.55	1.50	**1.57**	**1.70**
FCF / share	0.16	-0.13	0.31	**0.47**	**0.81**
Book value / share	2.71	3.07	3.50	**3.94**	**4.46**
Dividend / share	0.30	0.35	0.34	**0.40**	**0.46**

Growth and profitability	2018	2019	2020	2021e	2022e
Revenue growth-%	10%	11%	-1%	**15%**	**10%**
EBITDA growth-%	25%	44%	8%	**9%**	**11%**
EBIT (adj.) growth-%	29%	6%	7%	**14%**	**12%**
EPS (adj.) growth-%	29%	5%	11%	**13%**	**11%**
EBITDA-%	11.0 %	14.3 %	15.6 %	**14.7 %**	**14.9 %**
EBIT (adj.)-%	8.7 %	8.3 %	9.0 %	**8.9 %**	**9.1 %**
EBIT-%	8.5 %	8.7 %	8.6 %	**8.7 %**	**9.1 %**
ROE-%	24.4 %	24.1 %	20.8 %	**21.5 %**	**21.7 %**
ROI-%	20.6 %	19.9 %	16.0 %	**16.7 %**	**18.3 %**
Equity ratio	42.9 %	38.9 %	40.5 %	**42.5 %**	**45.7 %**
Gearing	29.8 %	52.6 %	46.6 %	**38.6 %**	**25.6 %**

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Date	Recommendation	Target price	Share price
11/17/2017	Buy	9.00 €	7.55 €
1/10/2018	Accumulate	9.00 €	8.32 €
2/9/2018	Accumulate	8.20 €	7.62 €
5/4/2018	Accumulate	8.50 €	8.06 €
8/15/2018	Accumulate	10.00 €	9.00 €
9/27/2018	Reduce	10.00 €	9.80 €
10/31/2018	Reduce	8.50 €	8.30 €
1/2/2019	Accumulate	8.40 €	7.94 €
2/8/2019	Reduce	8.40 €	8.34 €
5/9/2019	Accumulate	9.20 €	8.72 €
7/1/2019	Reduce	9.20 €	9.10 €
8/14/2019	Reduce	9.50 €	9.58 €
10/8/2019	Accumulate	9.40 €	8.60 €
11/1/2019	Accumulate	9.80 €	9.34 €
1/14/2020	Reduce	10.50 €	10.70 €
2/12/2020	Reduce	10.50 €	10.95 €
3/26/2020	Reduce	6.50 €	6.66 €
5/6/2020	Reduce	7.80 €	8.04 €
8/12/2020	Accumulate	9.50 €	8.94 €
10/30/2020	Reduce	10.00 €	9.80 €
11/25/2020	Accumulate	11.00 €	10.40 €
12/18/2020	Accumulate	12.50 €	11.80 €
1/15/2021	Reduce	15.00 €	15.75 €
2/12/2021	Reduce	15.00 €	15.50 €
5/6/2021	Reduce	16.80 €	16.90 €
8/12/2021	Reduce	17.50 €	17.90 €
10/29/2021	Reduce	17.00 €	16.80 €
11/23/2021	Reduce	17.00 €	17.90 €

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