

Koskisen

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report "Ohjeistus piti vaikeasta markkinasta huolimatta" published on 2/13/2024 at 9:26 am EET

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res.

Guidance held despite the difficult market

Koskisen will report its Q4 result on Friday. Koskisen's guidance has held, so the company should report reasonable Group figures considering the difficult circumstances. For the current year, we expect Koskisen to anticipate a fairly stable earnings development. However, based on recent data we cut our Q4 forecasts and also expectations for the next few years slightly for Koskisen ahead of the report. Therefore, we lower our target price for Koskisen to EUR 6.75 (was 7.00), but with the low valuation (2024e: P/E 10x, EV/EBITDA 4x) we reiterate our Accumulate recommendation.

Revenue has probably remained on a downward trend

We expect that Koskisen's revenue decreased by 15% in Q4. The decline in revenue is driven especially by the Sawn Timber industry. We estimate only a small drop in the revenue of the Panel Industry driven by the decrease in chipboard volumes, as the increase in birch plywood prices will offset the decrease in the delivery volumes to a degree. We forecast that Koskisen's adjusted EBITDA decreased by about 35% in Q4 to 6.9 MEUR. We expect that cooling demand and the high price of birch logs have kept the Panel industry's profitability under clear pressure in Q4, even though the unit should improve clearly from Q3. Q4 has probably also been difficult for the Sawn Timber industry due to the weak revenue development and the ongoing ramp-up of the new line. We estimate that after the loss-making Q3, the unit pushed to zero profit at EBITDA level, Our dividend forecast is clearly below the exceptionally high comparison figure partly associated with the listing of EUR 0.30 per share.

Forecasts include volume-driven growth and stable EBITDA in 2024

In connection with its listing at the end of 2022, Koskisen provided verbal guidance for 2023 revenue and a numerical range for the adjusted EBITDA margin. Based on this, we expect the company to provide full-year guidance for this year as well. We expect Koskisen's revenue to grow this year by 12%, especially driven by the additional capacity of the Sawn Timber industry. We expect the adjusted EBITDA margin to decrease by about 1 pp to a level of about 11%, as the Sawn Timber industry's share of revenue increases and the Panel industry's result deteriorates at least in H1 from a very high comparison level. We expect the Sawn Timber industry to improve slightly in a difficult market due to the efficiency gains from the new production line in Järvelä. Therefore, in light of our forecasts, Koskisen's guidance should indicate revenue growth and a somewhat stable adjusted EBITDA or, alternatively, an adjusted EBITDA margin of 10-12%.

The share still seems undervalued, although acceptable multiples are not particularly high

Koskisen's 2023 and 2024 EV/EBITDA ratios that consider the strong balance sheet are around 4x and the P/B ratio for 2023 is 1x. We expect the dividend yield of the next few years to be around 5%. The multiples are close to the middle of the acceptable multiple ranges (EV/EBITDA 3.5x -6.5x and P/B 0.7x-1.3x) that consider the company's estimated return on capital and risk profile. Even with conservative long-term parameters, the DCF value is also above the current share price level. Thus, we believe that the low valuation already forms a rather attractive risk/return ratio (incl. upside if expectations are exceeded and support levels against disappointment). Thus, we believe that a positive view is justified, although the subdued earnings outlook based on our neutral scenario, the structure of the current result and industry valuations do not favor particularly high multiples for the share at the moment.

Recommendation

Accumulate

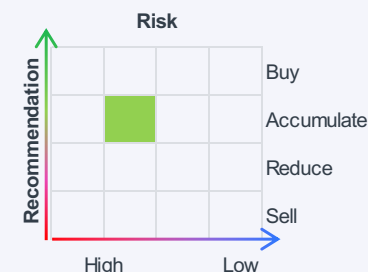
(previous Accumulate)

EUR 6.75

(previous EUR 7.00)

Share price:

6.05



Key figures

| | 2022 | 2023e | 2024e | 2025e |
|--------------------|--------|-------|-------|-------|
| Revenue | 317.7 | 265.1 | 295.8 | 312.6 |
| growth-% | 2% | -17% | 12% | 6% |
| EBIT adj. | 58.5 | 23.5 | 20.4 | 21.5 |
| EBIT-% adj. | 18.4 % | 8.9 % | 6.9 % | 6.9 % |
| Net Income | 39.8 | 18.9 | 14.3 | 15.8 |
| EPS (adj.) | 1.74 | 0.82 | 0.62 | 0.68 |

| | | | | |
|-------------------------|-------|-------|-------|-------|
| P/E (adj.) | 3.6 | 7.4 | 9.7 | 8.8 |
| P/B | 1.1 | 1.0 | 0.9 | 0.9 |
| Dividend yield-% | 6.9 % | 5.0 % | 5.0 % | 5.0 % |
| EV/EBIT (adj.) | 2.0 | 5.4 | 6.7 | 5.8 |
| EV/EBITDA | 1.8 | 3.8 | 4.1 | 3.6 |
| EV/S | 0.4 | 0.5 | 0.5 | 0.4 |

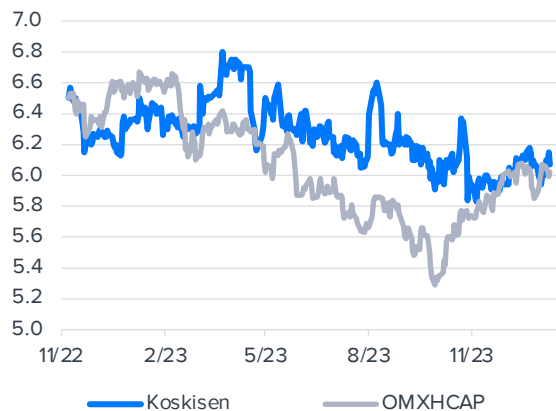
Source: Inderes

Guidance

(Unchanged)

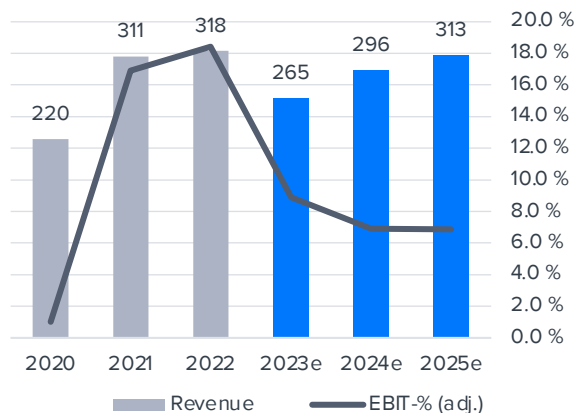
Koskisen expects that its revenue in 2023 will not exceed the 2022 level and its adjusted EBITDA will be 12-14%.

Share price



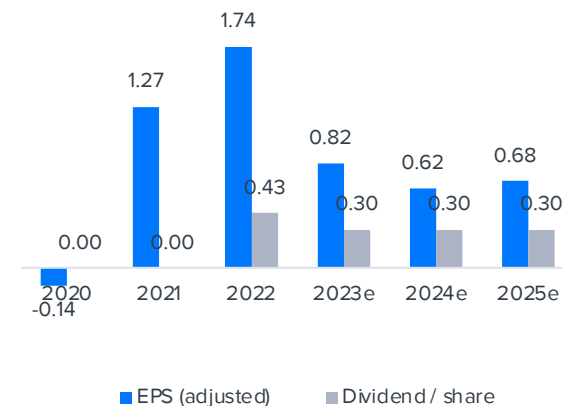
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Healthy long-term demand trends
- Increasing exports
- Improvement potential in the normalized profitability level
- Business generates value (ROIC>WACC) in a favorable cycle



Risk factors

- Cyclical demand
- Tight competition situation in the sawmill industry
- Bulky end products offer little room for differentiation Price is the main differentiation factor and thus demand is market driven
- Success in exports

| Valuation | 2023e | 2024e | 2025e |
|----------------------------|--------|--------|--------|
| Share price | 6.05 | 6.05 | 6.05 |
| Number of shares, millions | 23.0 | 23.0 | 23.0 |
| Market cap | 139 | 139 | 139 |
| EV | 126 | 136 | 125 |
| P/E (adj.) | 7.4 | 9.7 | 8.8 |
| P/E | 7.4 | 9.7 | 8.8 |
| P/B | 1.0 | 0.9 | 0.9 |
| P/S | 0.5 | 0.5 | 0.4 |
| EV/Sales | 0.5 | 0.5 | 0.4 |
| EV/EBITDA | 3.8 | 4.1 | 3.6 |
| EV/EBIT (adj.) | 5.4 | 6.7 | 5.8 |
| Payout ratio (%) | 36.5 % | 48.1 % | 43.8 % |
| Dividend yield-% | 5.0 % | 5.0 % | 5.0 % |

Source: Inderes

Market has been difficult, but figures should be moderate

The Sawn Timber industry has depressed revenue

We expect that Koskisen's revenue decreased by 15% in Q4. The drop in revenue is driven especially by the Sawn Timber industry, where sales have been plagued by falling volumes and prices and the slightly delayed ramp-up of the new sawmill line in Järvelä. We estimate only a small drop in the revenue of the Panel Industry driven by the decrease in chipboard volumes, as the increase in birch plywood prices will offset the decrease in the delivery volumes to a degree. The increase in birch plywood prices is mainly due to a war-based supply disturbance. However, we do not expect that birch plywood prices have risen from summer levels as the drop in economic activity has also eroded demand in this segment, although the overall picture is probably still relatively good due to chronic undersupply (i.e. Russian imports to Europe have ceased).

The result has remained under clear pressure

We forecast that Koskisen's adjusted EBITDA decreased by about 35% in Q4 to 6.9 MEUR. This corresponds to a reasonable adjusted EBITDA margin of 10% considering the circumstances. We expect that cooling demand and the high price of birch logs have kept the Panel industry's profitability under clear pressure in Q4, even though the unit should improve clearly from Q3. Q4 has probably also been difficult for the Sawn Timber industry due to the weak revenue development and the ongoing ramp-up of the new line. We estimate that after the loss-making Q3, the unit pushed to zero profit at EBITDA level, but the Sawn Timber industry is unlikely to reach the moderate comparison figures due to the aforementioned burdens. In other items, we expect Koskisen to have sold emission allowances, which would have a positive impact on

the Group result. Considering the increased depreciation, financing costs and taxes due to the introduction of the new sawmill line, we expect Koskisen to have accumulated an adjusted EPS of EUR 0.12 in Q4, which is well below the comparison period.

We expect Koskisen to pay out a good third of its 2023 result

Our dividend forecast is clearly below the exceptionally high comparison figure partly associated with the listing of EUR 0.30 per share. Our forecast is in line with Koskisen's dividend policy's good 30% ratio to last year's result.

| Estimates MEUR / EUR | Q4'22 | Q4'23 | Q4'23e | Q4'23e | Consensus | | 2023e |
|-------------------------|------------|------------|---------|-----------|-----------|------|---------|
| | Comparison | Actualized | Inderes | Consensus | Low | High | Inderes |
| Revenue | 77.4 | | 66.1 | | | | 265 |
| EBITDA (adj.) | 10.7 | | 6.9 | | | | 32.8 |
| EBIT | 7.8 | | 3.9 | | | | 23.5 |
| PTP | 6.9 | | 3.4 | | | | 22.8 |
| EPS (reported) | 0.26 | | 0.12 | | | | 0.82 |
| DPS | 0.43 | | 0.30 | | | | 0.30 |
| Revenue growth-% | -15.9 % | | -14.6 % | | | | 2.0 % |
| EBITDA-% (adj.) | 13.8 % | | 10.4 % | | | | 12.4 % |

Source: Inderes

Quarterly news flow and competitor's reports pushed forecasts down a bit

We expect a stable result this year

In connection with its listing at the end of 2022, Koskisen provided verbal guidance for 2023 revenue and a numerical range for the adjusted EBITDA margin. Based on this, we expect the company to provide full-year guidance for this year as well. We expect Koskisen's revenue to grow this year by 12%, especially driven by the additional capacity of the Sawn Timber industry. We expect the adjusted EBITDA margin to decrease by about 1 pp to a level of about 11%, as the Sawn Timber industry's share of revenue increases and the Panel industry's result deteriorates at least in H1 from a very high comparison level. We expect the Sawn Timber industry to improve slightly in a difficult market due to the efficiency gains from the new production line in Järvelä. Therefore, in light of our forecasts, Koskisen's guidance should indicate revenue growth and a

somewhat stable adjusted EBITDA or, alternatively, an adjusted EBITDA margin of 10-12%.

We lowered our forecasts slightly for the next few years

However, based on recent data we cut our Q4 forecasts and also expectations for the next few years slightly for Koskisen ahead of the report. The negative changes concern both businesses, as related news flow and Q4 reports of forest groups' wood products units have been more subdued than we expected lately.

We now expect Koskisen's result to fall in H1, when the Panel industry faces high comparison figures. In H2, the company faces lower comparison figures in both units. In addition, we suspect that a fall in interest rates may slightly boost the economy and especially demand in the construction sector toward

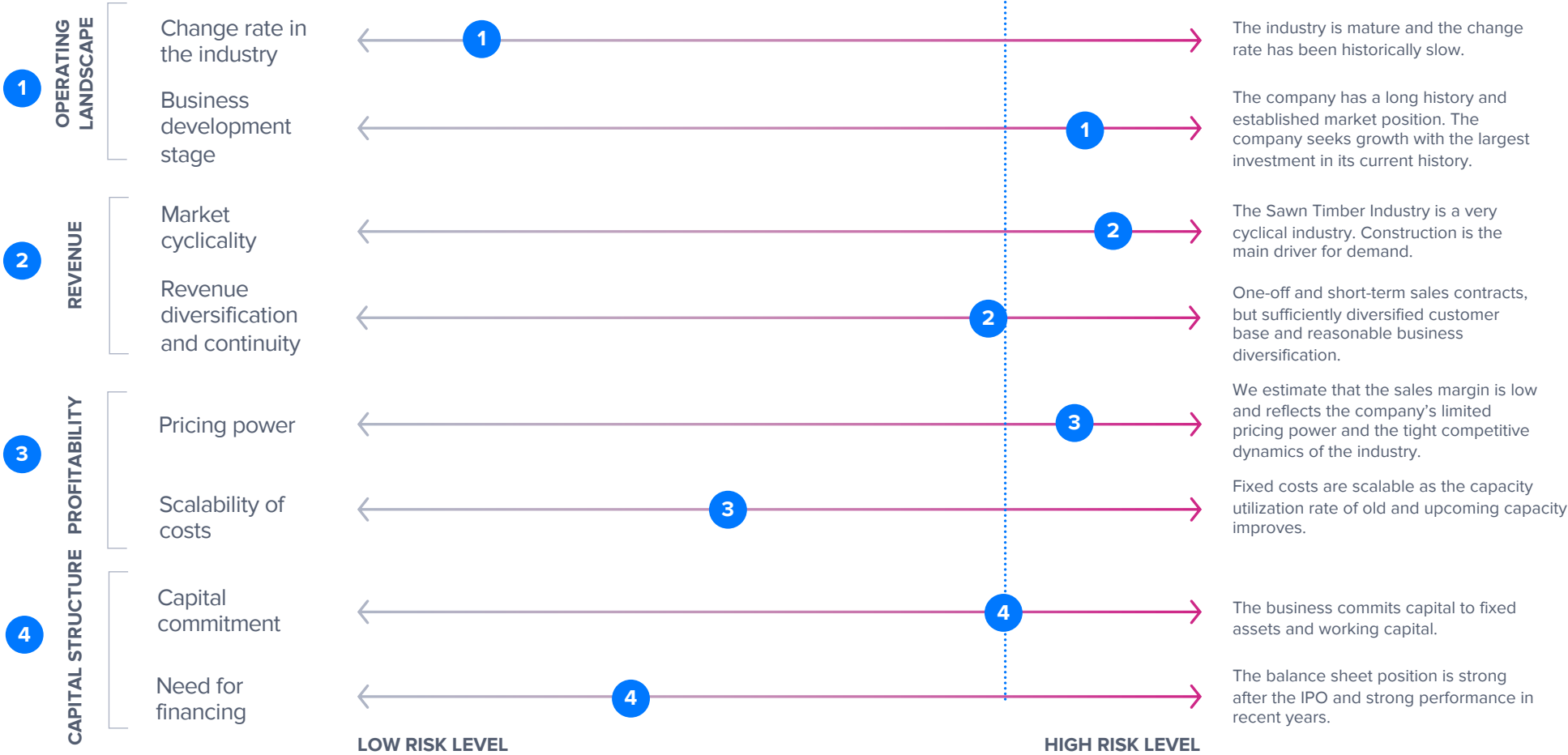
the end of this year. Consequently, Koskisen's earnings focus toward the end of the year in our forecasts and even reaching a stable result requires at least a moderate market recovery in H2.

| Estimate revisions MEUR / EUR | 2023e | | Change % | 2024e | | Change % | 2025e | | Change % |
|----------------------------------|-------|------|-------------|-------|------|-------------|-------|------|-------------|
| | Old | New | | Old | New | | Old | New | |
| Revenue | 269 | 265 | -1% | 296 | 296 | 0% | 309 | 313 | 1% |
| EBITDA | 34.6 | 32.8 | -5% | 34.4 | 33.4 | -3% | 36.7 | 35.1 | -4% |
| EBIT (exc. NRIs) | 25.3 | 23.5 | -7% | 21.4 | 20.4 | -5% | 23.1 | 21.5 | -7% |
| EBIT | 25.3 | 23.5 | -7% | 21.4 | 20.4 | -5% | 23.1 | 21.5 | -7% |
| PTP | 24.6 | 22.8 | -7% | 18.9 | 17.9 | -5% | 21.3 | 19.7 | -8% |
| EPS (excl. NRIs) | 0.88 | 0.82 | -7% | 0.66 | 0.62 | -5% | 0.74 | 0.68 | -8% |
| DPS | 0.30 | 0.30 | 0% | 0.30 | 0.30 | 0% | 0.30 | 0.30 | 0% |

Source: Inderes

Risk profile of Koskisen' Sawn Timber Industry

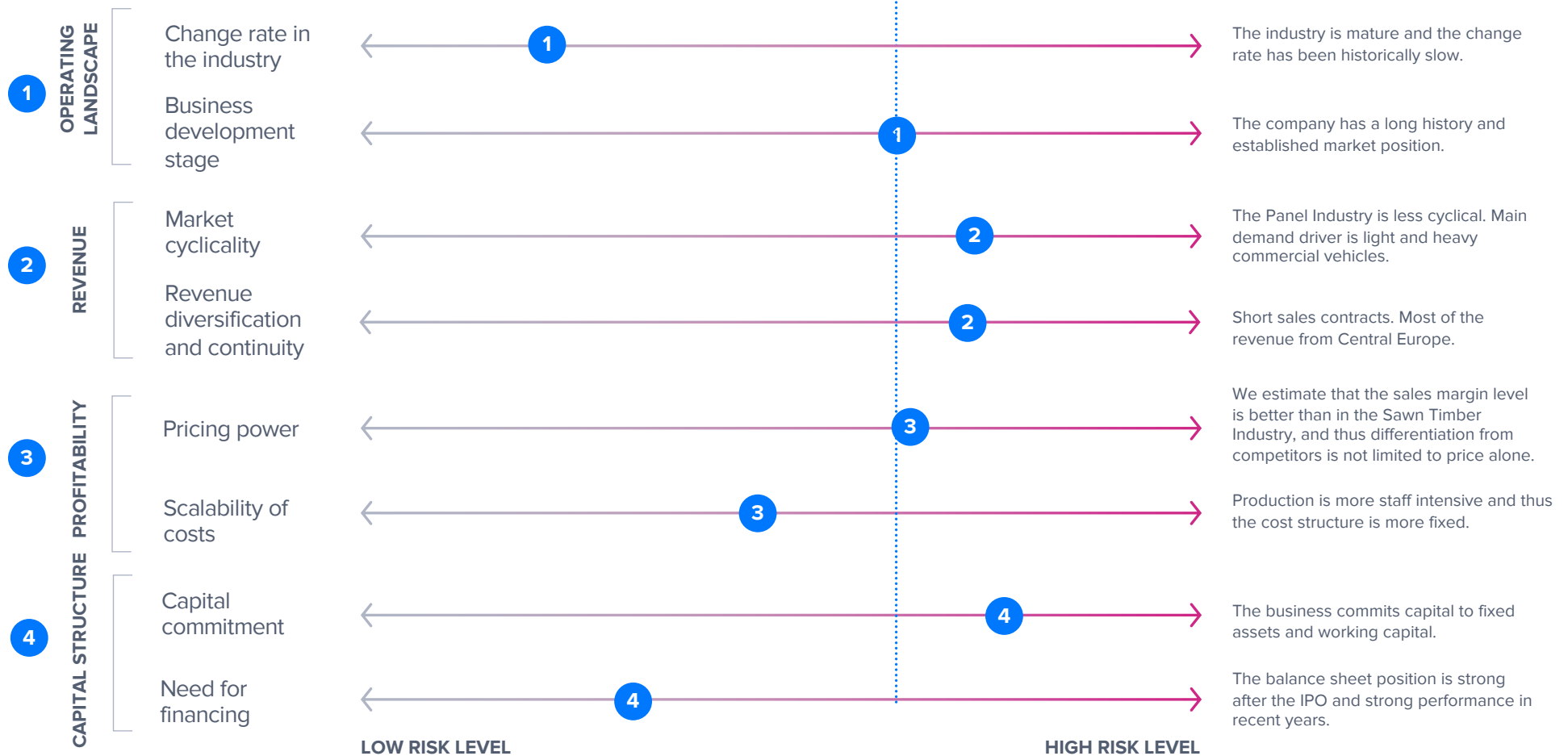
Assessment of the overall business risk of Koskisen's Sawn Timber Industry (mid-range corresponds to the average assessed risk level of Nasdaq Helsinki)



Source: Inderes

Risk profile of the Koskisen's Panel Industry

Assessment of the overall business risk of Koskisen's Panel Industry (mid-range corresponds to the average assessed risk level of Nasdaq Helsinki)



We still expect the valuation to recover a bit

Main focus on earnings multiples

We focus on earnings-based multiples in Koskisen's valuation. When examining earnings-based multiples, we favor the P/E ratio, as well as EV/EBITDA and EV/EBIT ratios that consider Koskisen's strong balance sheet. We feel acceptable EV/EBITDA ratios for Koskisen are roughly 3.5-6.5x, considering the growth and profitability levels of the business and the risk profile. The acceptable P/E based valuation range is 10x-14x in our opinion. On an annual basis, the multiples may occasionally stretch to a wide range, especially due to the strong cyclicity of the Sawn Timber Industry.

Low valuation level and acceptable expected return

With our 2023 and 2024 estimates Koskisen's P/E ratios are 7x and 10x and corresponding EV/EBITDA ratios are around 4x. Therefore, the share is priced at the bottom end of the acceptable valuation ranges with the multiples for both years. Therefore, we still find the valuation attractive especially as we do not feel estimate risks are clearly negative with the current forecasts. In the downward or stable at best earnings trend of our neutral scenario, the acceptable valuation is certainly not particularly high, especially in the prevailing interest rate environment, and the quality of the current result (i.e. Group result relies on the probably exceptionally high margins of the Panel industry) does not currently support high multiples either.

The balance sheet based P/B 1.0x (2023e) is also low. This is further emphasized by the fact that in assets equity faces fixed assets and working capital items. Therefore, we estimate that the balance sheet value of equity already provides certain support for the share, even though balance sheet valuations below

the balance sheet value of equity are no exception in the industry. The support also seems to hold, as Koskisen's share price has not fallen much, although H2 has proven clearly weaker than H1 and our expectations. The presence of support levels also improves the share's risk/return picture.

Considering this overall picture, we estimate that the expected return consisting of decreased earnings, increase in the acceptable valuation and around 5% dividend yield is higher than the required return for the 12 months. The expected return would turn more clearly positive if Koskisen could raise its profitability to its target of over 15% adj. EBITDA-% (cf. our estimates of adj. EBITDA growth of 11-12 %).

DCF value above the share price

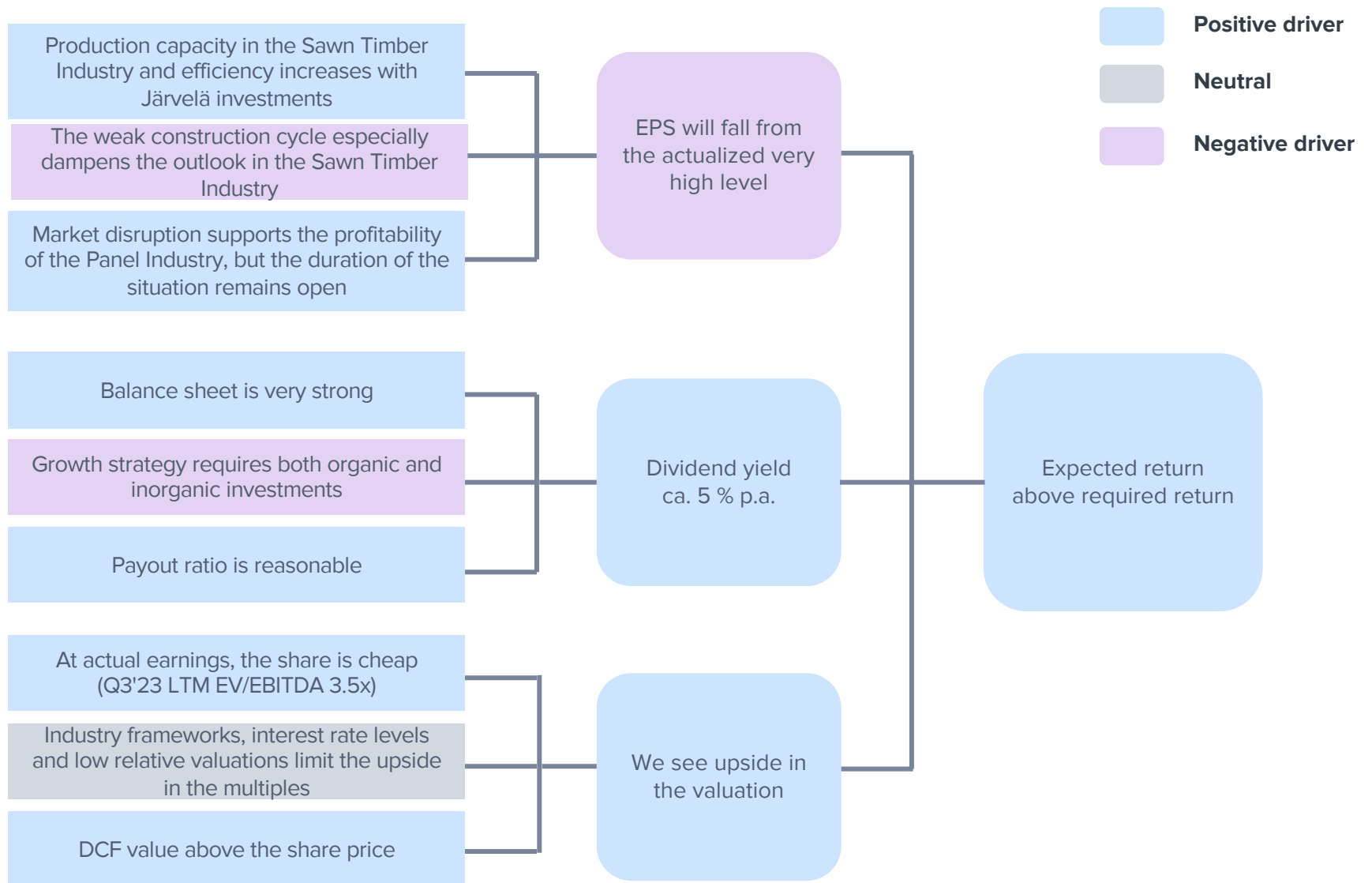
In relative terms, with 2023 and 2024 estimates Koskisen is priced at a discount relative to the loosely connected peer group. However, the valuation difference narrows when we look at next year and, on a balance sheet basis, pricing is neutral. Therefore, we consider the relative valuation of the share to be moderate and do not feel the peer group is too pricey although there are reasons for the low pricing.

We give weight to the DCF model in our valuation despite it being sensitive to the variables of the terminal period. According to our DCF model, the share value is around EUR 7 per share, which supports our view based on the other methods that the share is priced at an attractive level. Our model is also conservative in terms of long-term profitability and required returns compared to the company's current level, although we believe that this is still justified considering the longer-term history of the industries.

| Valuation | 2023e | 2024e | 2025e |
|----------------------------|--------|--------|--------|
| Share price | 6.05 | 6.05 | 6.05 |
| Number of shares, millions | 23.0 | 23.0 | 23.0 |
| Market cap | 139 | 139 | 139 |
| EV | 126 | 136 | 125 |
| P/E (adj.) | 7.4 | 9.7 | 8.8 |
| P/E | 7.4 | 9.7 | 8.8 |
| P/B | 1.0 | 0.9 | 0.9 |
| P/S | 0.5 | 0.5 | 0.4 |
| EV/Sales | 0.5 | 0.5 | 0.4 |
| EV/EBITDA | 3.8 | 4.1 | 3.6 |
| EV/EBIT (adj.) | 5.4 | 6.7 | 5.8 |
| Payout ratio (%) | 36.5 % | 48.1 % | 43.8 % |
| Dividend yield-% | 5.0 % | 5.0 % | 5.0 % |

Source: Inderes

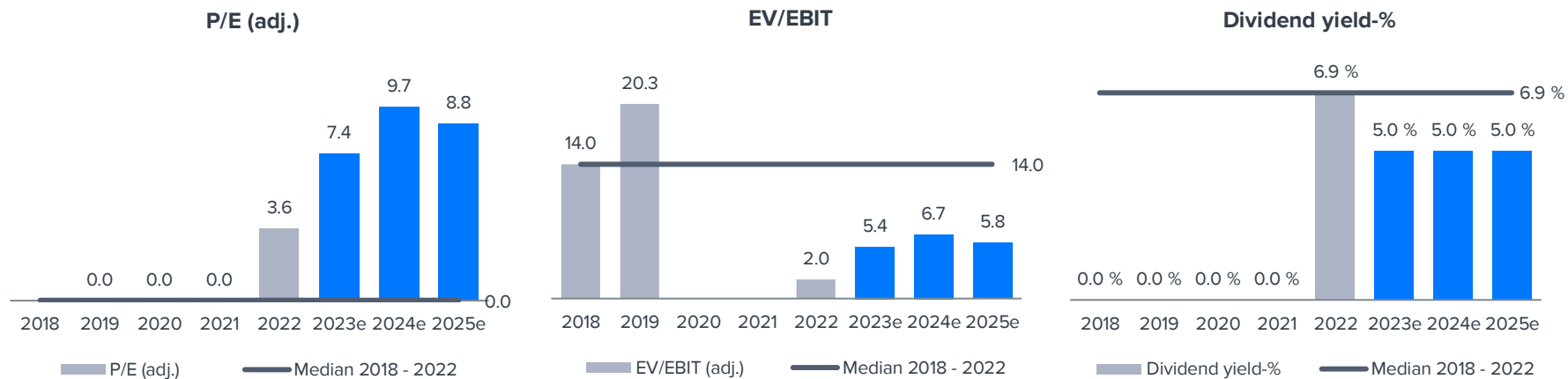
TSR drivers Q3'23 LTM-2025e



Valuation table

| Valuation | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e | 2026e |
|----------------------------|------|------|------|------|-------|-------|-------|-------|-------|
| Share price | | | | | 6.28 | 6.05 | 6.05 | 6.05 | 6.05 |
| Number of shares, millions | | | | | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| Market cap | | | | | 145 | 139 | 139 | 139 | 139 |
| EV | | | | | 116 | 126 | 136 | 125 | 111 |
| P/E (adj.) | | | | | 3.6 | 7.4 | 9.7 | 8.8 | 7.6 |
| P/E | | | | | 3.6 | 7.4 | 9.7 | 8.8 | 7.6 |
| P/B | | | | | 1.1 | 1.0 | 0.9 | 0.9 | 0.8 |
| P/S | | | | | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 |
| EV/Sales | | | | | 0.4 | 0.5 | 0.5 | 0.4 | 0.3 |
| EV/EBITDA | | | | | 1.8 | 3.8 | 4.1 | 3.6 | 2.9 |
| EV/EBIT (adj.) | | | | | 2.0 | 5.4 | 6.7 | 5.8 | 4.6 |
| Payout ratio (%) | | | | | 25.1% | 36.5% | 48.1% | 43.8% | 37.8% |
| Dividend yield-% | | | | | 6.9% | 5.0% | 5.0% | 5.0% | 5.0% |

Source: Inderes



Peer group valuation

| Peer group valuation | Market cap | EV | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | Dividend yield-% | | P/B |
|---------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|-------------|------------|
| Company | MEUR | MEUR | 2023e | 2024e | 2023e | 2024e | 2023e | 2024e | 2023e | 2024e | 2023e | 2024e | 2023e |
| Bergs Timber AB | | | | | | | | | | | | | |
| Interfor Corp | 701 | 1309 | | | 21.6 | 8.6 | 0.6 | 0.6 | | | | | 0.5 |
| Boise Cascade | 5159 | 4420 | 7.5 | 7.8 | 6.3 | 6.4 | 0.7 | 0.7 | 11.5 | 12.0 | 6.2 | 0.5 | 2.5 |
| West Fraser Timber | 5927 | 5297 | | 12.1 | 10.1 | 6.2 | 0.9 | 0.9 | | 22.3 | 1.5 | 1.6 | 0.9 |
| Canfor | 1274 | 985 | | | 50.1 | 4.0 | 0.3 | 0.3 | | | | | 0.5 |
| Stora Enso | 8868 | 11457 | 45.2 | 18.4 | 12.2 | 9.1 | 1.2 | 1.2 | 59.0 | 21.5 | 2.4 | 2.9 | 0.8 |
| STEICO | 353 | 530 | 17.6 | 15.6 | 9.0 | 8.3 | 1.4 | 1.4 | 20.5 | 15.5 | 1.5 | 1.7 | 1.2 |
| Koskisen (Inderes) | 139 | 126 | 5.4 | 6.7 | 3.8 | 4.1 | 0.5 | 0.5 | 7.4 | 9.7 | 5.0 | 5.0 | 1.0 |
| Average | | | 23.5 | 13.5 | 18.2 | 7.1 | 0.8 | 0.8 | 30.3 | 17.9 | 2.9 | 1.7 | 1.1 |
| Median | | | 17.6 | 13.8 | 11.2 | 7.4 | 0.8 | 0.8 | 20.5 | 18.5 | 2.0 | 1.6 | 0.8 |
| Diff-% to median | | | -70% | -52% | -66% | -45% | -40% | -42% | -64% | -48% | 152% | 201% | 17% |

Source: Refinitiv / Inderes

Income statement

| Income statement | 2021 | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23e | 2023e | 2024e | 2025e | 2026e |
|-------------------------------|-------------|-------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Revenue | 311 | 318 | 73.2 | 73.9 | 55.5 | 62.6 | 265 | 296 | 313 | 318 |
| Sawn Timber industry | 188 | 166 | 32.1 | 29.6 | 24.9 | 27.3 | 114 | 141 | 161 | 167 |
| Panel industry | 123 | 152 | 41.1 | 44.2 | 30.6 | 35.3 | 151 | 155 | 151 | 152 |
| EBITDA | 62.2 | 66.3 | 12.6 | 13.8 | 1.3 | 5.1 | 32.8 | 33.4 | 35.1 | 37.9 |
| Depreciation | -9.5 | -8.1 | -2.0 | -2.1 | -2.3 | -3.0 | -9.3 | -13.0 | -13.6 | -13.7 |
| EBIT (excl. NRI) | 52.7 | 58.5 | 10.7 | 11.7 | -1.0 | 2.1 | 23.5 | 20.4 | 21.5 | 24.2 |
| EBIT | 52.7 | 58.2 | 10.7 | 11.7 | -1.0 | 2.1 | 23.5 | 20.4 | 21.5 | 24.2 |
| Sawn Timber industry (EBITDA) | 50.7 | 41.6 | 1.6 | 1.6 | -1.0 | 0.0 | 2.3 | 6.6 | 12.1 | 16.2 |
| Panel industry (EBITDA) | 14.1 | 29.3 | 9.8 | 12.2 | 2.6 | 4.6 | 29.3 | 26.2 | 23.5 | 22.2 |
| Other | -2.4 | -4.3 | 1.2 | -0.1 | -0.3 | 0.5 | 1.3 | 0.6 | -0.5 | -0.5 |
| Depreciation | -9.5 | -8.1 | -2.0 | -2.1 | -2.3 | -3.0 | -9.3 | -13.0 | -13.6 | -13.7 |
| Adjustments | 0.0 | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net financial items | -4.8 | -0.4 | -0.4 | 0.6 | -0.3 | -0.5 | -0.6 | -2.5 | -1.8 | -1.4 |
| PTP | 47.9 | 57.8 | 10.3 | 12.3 | -1.3 | 1.6 | 22.8 | 17.9 | 19.7 | 22.8 |
| Taxes | -9.4 | -11.8 | -1.5 | -2.5 | 0.4 | -0.3 | -3.9 | -3.6 | -3.9 | -4.6 |
| Minority interest | -9.3 | -6.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net earnings | 29.2 | 39.8 | 8.8 | 9.8 | -1.0 | 1.3 | 18.9 | 14.3 | 15.8 | 18.3 |
| EPS (adj.) | 1.27 | 1.74 | 0.38 | 0.43 | -0.04 | 0.06 | 0.82 | 0.62 | 0.68 | 0.79 |
| EPS (rep.) | 1.27 | 1.73 | 0.38 | 0.43 | -0.04 | 0.06 | 0.82 | 0.62 | 0.68 | 0.79 |
| Key figures | 2021 | 2022 | Q1'23 | Q2'23 | Q3'23 | Q4'23e | 2023e | 2024e | 2025e | 2026e |
| Revenue growth-% | 41.5 % | 2.1 % | 0.0 % | 0.0 % | 0.0 % | -80.3 % | -16.5 % | 11.5 % | 5.7 % | 1.8 % |
| EBITDA-% | 20.0 % | 20.9 % | 17.2 % | 18.7 % | 2.4 % | 8.2 % | 12.4 % | 11.3 % | 11.2 % | 11.9 % |
| Adjusted EBIT-% | 16.9 % | 18.4 % | 14.5 % | 15.9 % | -1.7 % | 3.4 % | 8.9 % | 6.9 % | 6.9 % | 7.6 % |
| Net earnings-% | 9.4 % | 12.5 % | 12.0 % | 13.3 % | -1.8 % | 2.1 % | 7.1 % | 4.9 % | 5.0 % | 5.7 % |

Balance sheet

| Assets | 2021 | 2022 | 2023e | 2024e | 2025e |
|----------------------------|-------------|------------|------------|------------|------------|
| Non-current assets | 86.8 | 105 | 122 | 129 | 126 |
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Intangible assets | 0.6 | 0.9 | 1.3 | 1.7 | 2.1 |
| Tangible assets | 83.0 | 99.0 | 116 | 123 | 119 |
| Associated companies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other investments | 3.0 | 4.5 | 4.5 | 4.5 | 4.5 |
| Other non-current assets | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 |
| Deferred tax assets | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Current assets | 114 | 154 | 127 | 125 | 120 |
| Inventories | 38.1 | 34.2 | 29.2 | 35.5 | 37.5 |
| Other current assets | 5.4 | 9.9 | 9.9 | 9.9 | 9.9 |
| Receivables | 29.5 | 25.5 | 21.2 | 29.6 | 31.3 |
| Cash and equivalents | 40.5 | 84.4 | 66.3 | 50.3 | 41.7 |
| Balance sheet total | 200 | 259 | 248 | 254 | 246 |

Source: Inderes

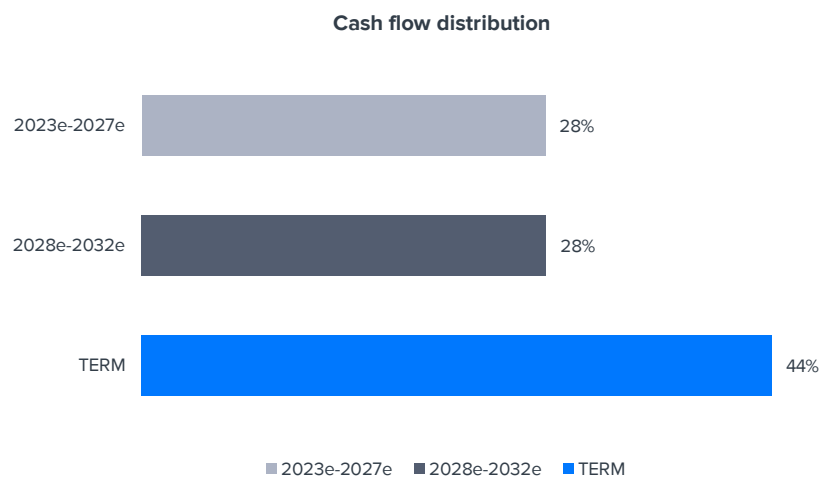
| Liabilities & equity | 2021 | 2022 | 2023e | 2024e | 2025e |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Equity | 58.8 | 136 | 145 | 152 | 161 |
| Share capital | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Retained earnings | 34.5 | 60.6 | 69.5 | 77.0 | 85.8 |
| Hybrid bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revaluation reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other equity | -0.4 | 73.7 | 73.7 | 73.7 | 73.7 |
| Minorities | 23.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current liabilities | 75.7 | 56.3 | 55.3 | 49.6 | 31.9 |
| Deferred tax liabilities | 1.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Provisions | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Interest bearing debt | 68.4 | 49.4 | 48.4 | 42.7 | 25.0 |
| Convertibles | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 5.4 | 3.0 | 3.0 | 3.0 | 3.0 |
| Current liabilities | 65.8 | 66.5 | 48.2 | 52.6 | 53.4 |
| Interest bearing debt | 6.2 | 6.5 | 4.9 | 4.4 | 2.5 |
| Payables | 50.7 | 59.1 | 42.4 | 47.3 | 50.0 |
| Other current liabilities | 8.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Balance sheet total | 200 | 259 | 248 | 254 | 246 |

DCF calculation

| DCF model | 2022 | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | TERM |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue growth-% | 2.1 % | -16.5 % | 11.5 % | 5.7 % | 1.8 % | 3.0 % | 3.0 % | 2.5 % | 2.5 % | 2.5 % | 2.0 % | 2.0 % |
| EBIT-% | 18.3 % | 8.9 % | 6.9 % | 6.9 % | 7.6 % | 6.0 % | 6.0 % | 6.0 % | 5.5 % | 5.0 % | 5.0 % | 5.0 % |
| EBIT (operating profit) | 58.2 | 23.5 | 20.4 | 21.5 | 24.2 | 19.7 | 20.3 | 20.8 | 19.5 | 18.2 | 18.5 | |
| + Depreciation | 8.1 | 9.3 | 13.0 | 13.6 | 13.7 | 13.1 | 12.3 | 12.1 | 12.0 | 11.9 | 11.9 | |
| - Paid taxes | -18.3 | -3.9 | -3.6 | -3.9 | -4.6 | -3.7 | -3.8 | -3.9 | -3.6 | -3.4 | -3.4 | |
| - Tax, financial expenses | -0.1 | -0.1 | -0.5 | -0.4 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | |
| + Tax, financial income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Change in working capital | 12.3 | -7.3 | -9.8 | -1.0 | -0.3 | -0.6 | -0.6 | -0.5 | -0.5 | -0.5 | -0.4 | |
| Operating cash flow | 47.6 | 21.5 | 19.6 | 29.8 | 32.7 | 28.3 | 28.0 | 28.2 | 27.1 | 25.9 | 26.3 | |
| + Change in other long-term liabilities | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| - Gross CAPEX | -22.0 | -26.5 | -20.4 | -10.4 | -10.4 | -10.4 | -10.4 | -11.4 | -11.4 | -12.4 | -14.4 | |
| Free operating cash flow | 29.1 | -5.0 | -0.8 | 19.4 | 22.3 | 17.9 | 17.6 | 16.8 | 15.7 | 13.5 | 11.9 | |
| +/- Other | 26.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| FCFF | 55.9 | -5.0 | -0.8 | 19.4 | 22.3 | 17.9 | 17.6 | 16.8 | 15.7 | 13.5 | 11.9 | 147 |
| Discounted FCFF | | -5.0 | -0.8 | 16.1 | 16.8 | 12.3 | 10.9 | 9.4 | 8.0 | 6.2 | 5.0 | 61.6 |
| Sum of FCFF present value | | 141 | 146 | 146 | 130 | 113 | 101 | 90.2 | 80.8 | 72.8 | 66.6 | 61.6 |
| Enterprise value DCF | | 141 | | | | | | | | | | |
| - Interest bearing debt | | -56.0 | | | | | | | | | | |
| + Cash and cash equivalents | | 84.4 | | | | | | | | | | |
| -Minorities | | 0.0 | | | | | | | | | | |
| -Dividend/capital return | | -10.0 | | | | | | | | | | |
| Equity value DCF | | 159 | | | | | | | | | | |
| Equity value DCF per share | | 6.9 | | | | | | | | | | |

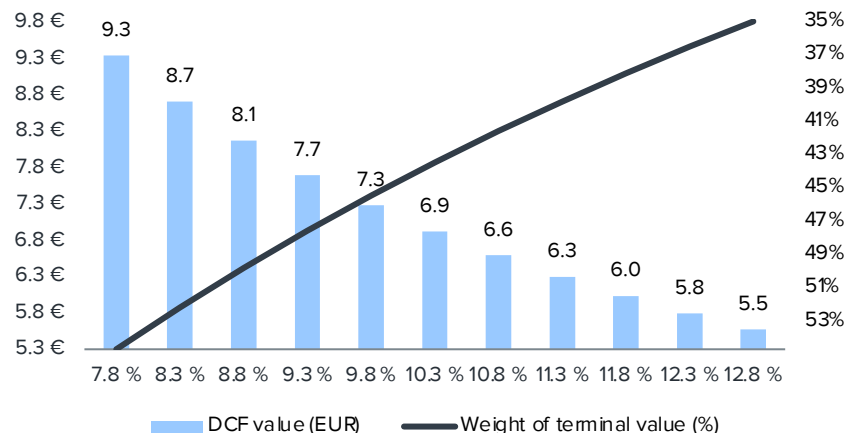
| WACC | |
|--|---------------|
| Tax-% (WACC) | 20.0 % |
| Target debt ratio (D/(D+E)) | 17.5 % |
| Cost of debt | 5.0 % |
| Equity Beta | 1.60 |
| Market risk premium | 4.75% |
| Liquidity premium | 1.50% |
| Risk free interest rate | 2.5 % |
| Cost of equity | 11.6 % |
| Weighted average cost of capital (WACC) | 10.3 % |

Source: Inderes

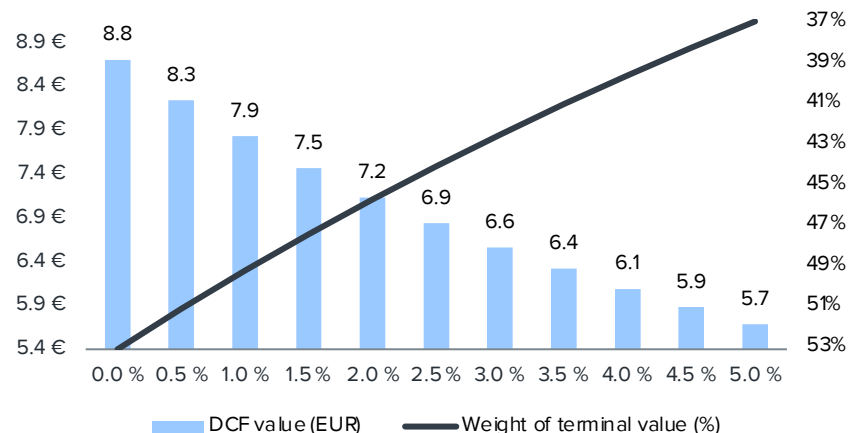


DCF sensitivity calculations and key assumptions in graphs

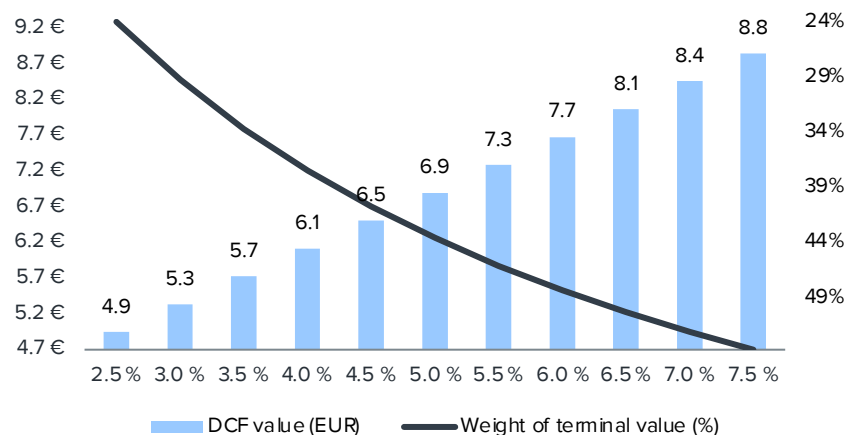
Sensitivity of DCF to changes in the WACC-%



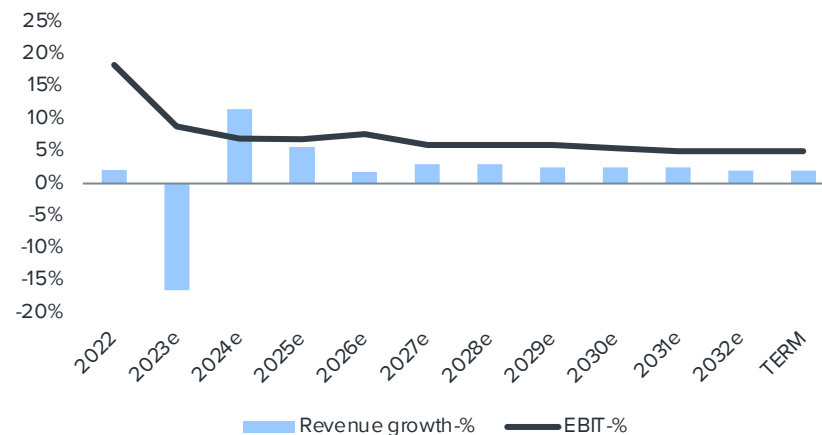
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

| Income statement | 2020 | 2021 | 2022 | 2023e | 2024e | Per share data | 2020 | 2021 | 2022 | 2023e | 2024e |
|---------------------------|-------|-------|-------|-------|-------|--------------------------|---------|---------|---------|--------|--------|
| Revenue | 220.0 | 311.3 | 317.7 | 265.1 | 295.8 | EPS (reported) | -0.14 | 1.27 | 1.73 | 0.82 | 0.62 |
| EBITDA | 11.3 | 62.2 | 66.3 | 32.8 | 33.4 | EPS (adj.) | -0.14 | 1.27 | 1.74 | 0.82 | 0.62 |
| EBIT | 2.2 | 52.7 | 58.2 | 23.5 | 20.4 | OCF / share | 0.44 | 2.29 | 2.07 | 0.94 | 0.85 |
| PTP | -4.4 | 47.9 | 57.8 | 22.8 | 17.9 | FCF / share | 0.28 | 1.44 | 2.43 | -0.22 | -0.04 |
| Net Income | -3.3 | 29.2 | 39.8 | 18.9 | 14.3 | Book value / share | 0.28 | 1.55 | 5.90 | 6.29 | 6.61 |
| Extraordinary items | 0.0 | 0.0 | -0.3 | 0.0 | 0.0 | Dividend / share | 0.00 | 0.00 | 0.43 | 0.30 | 0.30 |
| Balance sheet | 2020 | 2021 | 2022 | 2023e | 2024e | Growth and profitability | 2020 | 2021 | 2022 | 2023e | 2024e |
| Balance sheet total | 151.8 | 200.3 | 258.6 | 248.2 | 254.3 | Revenue growth-% | 0% | 42% | 2% | -17% | 12% |
| Equity capital | 20.4 | 58.8 | 135.8 | 144.7 | 152.2 | EBITDA growth-% | | 449% | 7% | -50% | 2% |
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | EBIT (adj.) growth-% | | 2259% | 11% | -60% | -13% |
| Net debt | 71.4 | 34.1 | -28.5 | -13.0 | -3.2 | EPS (adj.) growth-% | | -991% | 37% | -53% | -24% |
| Cash flow | 2020 | 2021 | 2022 | 2023e | 2024e | EBITDA-% | 5.2 % | 20.0 % | 20.9 % | 12.4 % | 11.3 % |
| EBITDA | 11.3 | 62.2 | 66.3 | 32.8 | 33.4 | EBIT (adj.)-% | 1.0 % | 16.9 % | 18.4 % | 8.9 % | 6.9 % |
| Change in working capital | -1.9 | -6.1 | 12.3 | -7.3 | -9.8 | EBIT-% | 1.0 % | 16.9 % | 18.3 % | 8.9 % | 6.9 % |
| Operating cash flow | 10.2 | 52.7 | 47.6 | 21.5 | 19.6 | ROE-% | 0.0 % | 138.8 % | 46.4 % | 13.5 % | 9.7 % |
| CAPEX | -3.7 | -9.7 | -22.0 | -26.5 | -20.4 | ROI-% | 0.0 % | 45.2 % | 35.8 % | 12.1 % | 10.3 % |
| Free cash flow | 6.5 | 33.0 | 55.9 | -5.0 | -0.8 | Equity ratio | 13.4 % | 29.4 % | 52.5 % | 58.3 % | 59.8 % |
| | | | | | | Gearing | 350.4 % | 57.9 % | -21.0 % | -8.9 % | -2.1 % |
| Valuation multiples | 2020 | 2021 | 2022 | 2023e | 2024e | | | | | | |
| EV/S | | | 0.4 | 0.5 | 0.5 | | | | | | |
| EV/EBITDA (adj.) | | | 1.8 | 3.8 | 4.1 | | | | | | |
| EV/EBIT (adj.) | | | 2.0 | 5.4 | 6.7 | | | | | | |
| P/E (adj.) | 0.0 | 0.0 | 3.6 | 7.4 | 9.7 | | | | | | |
| P/B | 0.0 | 0.0 | 1.1 | 1.0 | 0.9 | | | | | | |
| Dividend-% | | | 6.9 % | 5.0 % | 5.0 % | | | | | | |

Source: Inderes

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

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Recommendation history (>12 mo)

| Date | Recommendation | Target | Share price |
|-----------------------------|----------------|--------|-------------|
| 2/24/2023 | Reduce | 6.00 € | 6.35 € |
| 3/17/2023 | Reduce | 6.00 € | 6.29 € |
| ----- Analyst changed ----- | | | |
| 5/25/2023 | Reduce | 6.75 € | 6.40 € |
| 8/11/2023 | Accumulate | 6.75 € | 6.19 € |
| 8/25/2023 | Accumulate | 7.50 € | 6.40 € |
| 11/20/2023 | Accumulate | 7.00 € | 6.35 € |
| 2/13/2023 | Accumulate | 6.75 € | 6.05 € |



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