Componenta

Extensive report

9/25/2024

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Inderes corporate customer

This report is a summary translation of the report "Kohti tasaisempaa toimintakenttää" published on 9/24/2024 at 7:50 pm EEST.

Towards a more level playing field

We maintain our Accumulate recommendation and our target price of EUR 3.60 on Componenta. Some of the company's target markets are uncertain at the end of 2024, but the gradual recovery of the market, a large order from the Finnish Defense Forces and the acquisition of Fortaco will secure rapid growth in 2025-2027. At the same time, operating leverage is significantly increasing profitability. On forward-looking metrics, the stock is cheap.

Target markets growing slightly faster than GDP

Componenta's businesses, both foundry products and machining services, are mature and highly fragmented. Their local or regional nature and proximity to customers make it difficult to estimate the growth of these industries. We expect Europe to be by far the most important market for Componenta's Finnish clients, where real GDP, industrial production and investment growth is projected to be modest at around +1% p.a. in 2024-2026. When inflation is thrown into the mix, we estimate that Componenta's end-user market, and thus the market for foundry products, will grow by +3% p.a. over our forecast periods 2024-2027. Demand for machining services in Europe is forecast to grow slightly faster (+4% p.a.), driven by factors such as advances in automation and robotics and the demand for components in solar and wind power plants created by the green transition.

Finnish Defense Forces and Fortaco acquisition secure growth for the coming years

Our forecast for Componenta's revenue growth in 2024-2027 is now +10% p.a. (was +8% p.a.). The change is due to the inclusion of Componenta's acquisition of Fortaco in the forecasts and the clarification of the revenue impact of the large contract with the defense Forces. The Fortaco acquisition and the aforementioned defense Forces deal will account for 64% of Componenta's projected growth in euros from 2024 to 2027. Without them, growth would be estimated at +4% p.a., in line with the trend growth of customer equipment revenue in recent years (2019-2023). Over the forecast period, the energy industry will increase its revenue share from 9% to 20% and the defense industry from 4% to 12%. The rebalancing of the sales mix clearly lowers Componenta's risk profile.

Operating leverage drives rapid improvement in earnings

Componenta's margin improvement will be supported by an increase in capacity utilization, which will increase revenue faster than personnel costs, and a decrease in other operating expenses (e.g. rent, IT, maintenance costs) and depreciation as a percentage of revenue. We forecast +34% p.a. EBITDA growth for 2025-2027. As net liabilities fall, net financing costs fall sharply over the forecast period, and old losses mean that taxes are still zero between 2024 and 2027. As investment needs are also relatively low in the coming years, the balance sheet will rapidly strengthen and Componenta's net gearing is projected to fall to 8% in 2027.

Valuation is attractive, but it takes time and evidence to realize the potential

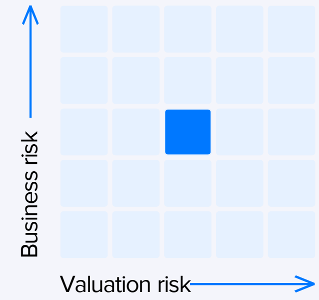
Componenta's share valuation is attractive on metrics that look to 2025 and beyond. The expected total return exceeds our required return, the valuation discount to peers is above the -20% to -30% range we accept, and the upside to DCF is large. There is still uncertainty about the H2'24 performance of some of Componenta's target markets, but potential positive drivers for the stock are the recovery of the company's target markets from 2025 onwards, the success of the Fortaco integration and the increasing impact of operating leverage on profitability.

Recommendation

Accumulate
(was Accumulate)

3.60 EUR
(was 3.60 EUR)

Share price:
2.83



Key figures

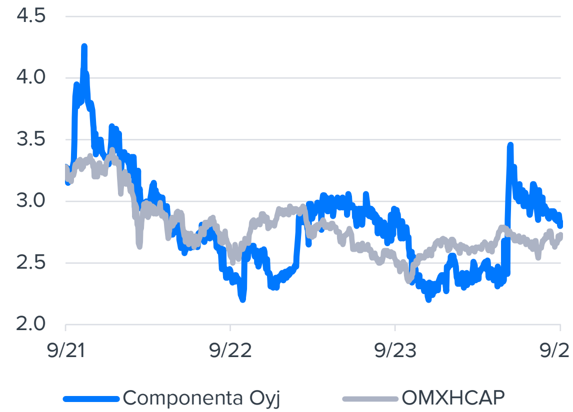
	2023	2024e	2025e	2026e
Revenue	101.8	103.0	124.2	142.1
growth-%	-7%	1%	21%	14%
EBIT adj.	-0.5	0.7	5.1	7.7
EBIT-% adj.	-0.5 %	0.6 %	4.1 %	5.4 %
Net income	1.5	-1.7	3.3	6.1
EPS (adj.)	-0.28	-0.17	0.34	0.63
P/E (adj.)	>100	>100	8.4	4.5
P/B	0.9	1.2	1.0	0.9
Dividend yield-%	0.0 %	0.0 %	4.9 %	9.2 %
EV/EBIT (adj.)	neg.	65.5	7.7	4.5
EV/EBITDA	6.0	7.1	3.5	2.5
EV/S	0.3	0.4	0.3	0.2

Source: Inderes

Guidance (Unchanged)

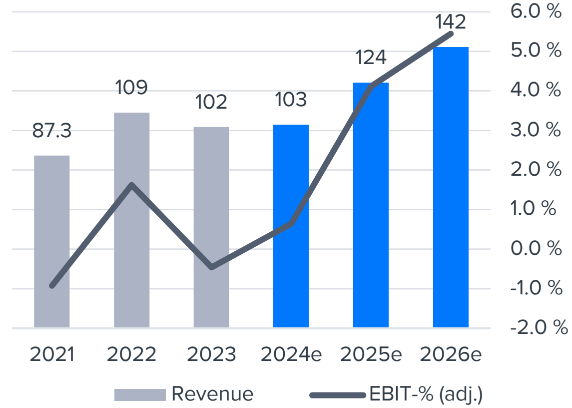
Componenta expects the Group's revenue and EBITDA for 2024 to improve from the previous year. The annual improvement is expected to focus clearly on H2'24.

Share price



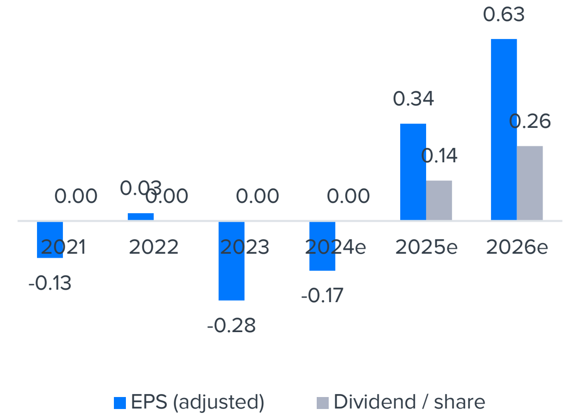
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Customer sector risk highly diversified
- Long-term customer relationships with global OEMs
- Cost changes can be quickly transferred to own prices
- Valuation has a lot of historical baggage

Risk factors

- Traditionally low-margin sector
- Customer sectors individually cyclical
- One big customer dependency

Valuation	2024e	2025e	2026e
Share price	2.83	2.83	2.83
Number of shares, millions	9.71	9.71	9.71
Market cap	27	27	27
EV	43	39	35
P/E (adj.)	>100	8.4	4.5
P/E	>100	8.4	4.5
P/B	1.2	1.0	0.9
P/S	0.3	0.2	0.2
EV/Sales	0.4	0.3	0.2
EV/EBITDA	7.1	3.5	2.5
EV/EBIT (adj.)	65.5	7.7	4.5
Payout ratio (%)	0.0 %	41.4 %	41.2 %
Dividend yield-%	0.0 %	4.9 %	9.2 %

Source: Inderes

Contents

Componenta in brief

Componenta manufactures cast and machined metal components as well as forgings, tubular products and sheet metal parts for its customers, who are global vehicle, machinery and equipment manufacturers based in Finland or established in Finland. The main manufacturing units are the foundries in Karkkila and Pori, and the machining service units, forging shop, pipe and material service center in Jyväskylä and South Ostrobothnia, close to the sites of strategic customers. Direct exports account for around 20% of revenue but is actually much higher overall due to the products manufactured by customers.

1820

The Högfors ironworks is established in Karkkila.

1988

The Pori foundry is bought from Rauma-Repola. Componenta's predecessor Santasalo-Vaihteet is listed on the Helsinki Stock Exchange.

2019

Componenta acquires Komas Oy and becomes one of Finland's leading manufacturer of metal components.

91.6 MEUR **(-20 % y/y)**

Revenue H2'23-H1'24

1.8 MEUR **(1.9% of revenue)**

EBITDA H2'23-H1'24

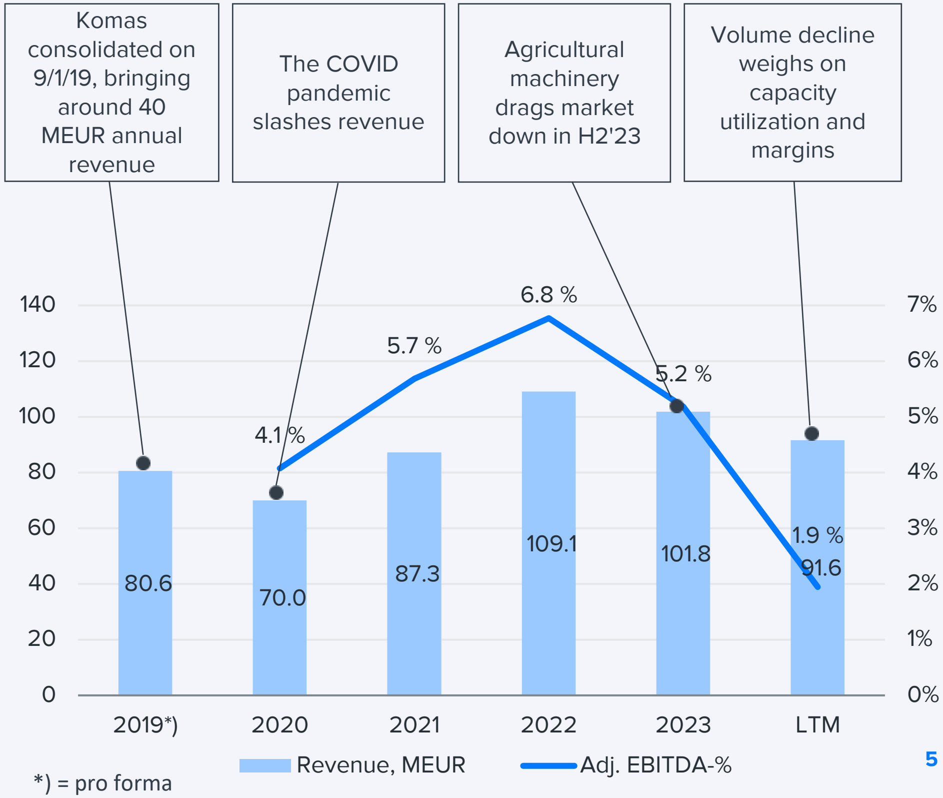
627

Headcount 6/2024

Main products

Cast components

Machined metal components



*) = pro forma

Company description and business model 1/5

Traditions on the foundry side

Componenta is a Finnish technology company that manufactures and supplies cast, machined or non-machined components to its customers, who are local and global vehicle, machinery and equipment manufacturers. Componenta's history begins with the establishment of the Högfors foundry in Karkkila in 1820.

A long and colorful history

The ups and downs of internationalization are a key part of Componenta's history. In 1990, Componenta's predecessor JOT Corporations bought the Främmestad engineering company in Sweden. Overseas operations were expanded in 2004 with the acquisition of the Dutch foundry De Globe and the Turkish foundry Döktas. In fact, Componenta was Europe's second largest independent foundry component company in 2006, with pro forma revenue of more than 600 MEUR and more than 5,000 employees. However, the profitability of the acquired companies and of the group as a whole remained unsatisfactory. The main reason was overcapacity in the foundry sector and Componenta's dependence on large truck manufacturers, with whom it had a weak bargaining position. In 2016, Componenta's Finnish and Swedish businesses entered a restructuring program and Componenta Netherlands went bankrupt. In 2017, the Turkish business was also sold.

In 2019, Componenta made a significant expansion in the value chain by acquiring Komas Oy and growing into Finland's leading metal component manufacturer. In the same year, Componenta took its current form when its Swedish subsidiary Främmestad AB filed for bankruptcy. Today, the backbone of the Group's business is Componenta Castings Oy, which focuses on foundry operations, and Componenta Manufacturing Oy (formerly Komas), which provides machining, forging, tube and plate services.

The Komas acquisition was a key extension of the value chain

With the acquisition of Komas, Componenta's expanded product and service range has improved customer service by creating a one-stop shop for industries that want to buy molded and machined or finished components from a single supplier. Componenta and Komas already had many customers in common at the time of the acquisition.

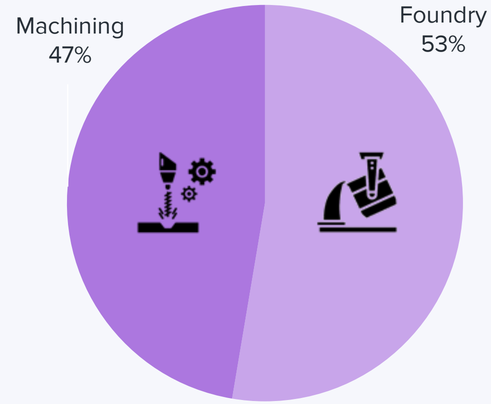
Inorganic growth coming from the Fortaco acquisition

Componenta's strategy also includes inorganic growth, and the company announced in July 2024 that it would acquire Fortaco Oy's Kalajoki factory and Sepänkylä (Mustasaari/Vasa) machining and service center operations. The acquisition complements Componenta Manufacturing's product offering to key customers, especially in heavy welded structures, and is a good strategic fit. The acquired businesses will add approximately 10% to Componenta's revenue and the acquisition is expected to close on October 1, 2024. We will return to the impact of the acquisition in the Estimates section of this report.

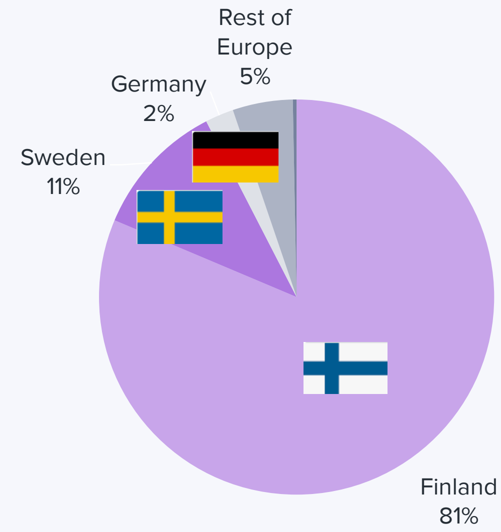
Cast iron at the heart of the product offering

Throughout its history, cast iron has been at the core of Componenta's products. The most common uses of cast iron are pipes, machine parts,

Revenue by business area 2023



Revenue by geography 2023



Source: Financial statements of subsidiaries and Componenta

Company description and business model 2/5

automotive parts (e.g. cylinder blocks, brake disks, exhaust manifold parts), and many applications, especially in electric motors, municipal equipment, and kitchen utensils. The carbon content of cast irons exceeds 2%, which is much higher than that of most common steels. The popularity of cast iron as a casting material is due to its significantly lower melting point than steel. The advantages of cast iron also include impact resistance and malleability. In addition, cast iron provides better vibration damping than steel and ensures shape and dimensional stability under temperature variations. The disadvantage compared to steel is inferior weldability.

Wide range of titles, volumes and prices

Componenta's main products for its customers are unmachined or machined, unpainted or painted cast iron components, as well as forgings, hydraulic tubes and plate sections. There are thousands of product titles in production, many of which are both prototype and low-volume production. The number of cast or machined components in a customer's product range can also vary widely (e.g. elevator vs. tractor). Production volumes for individual products typically range from 1,000 to 10,000 units per year. The price range of the products sold is also very wide, from less than EUR 1/each to EUR 50,000/each. The latter can be, for example, the cylinder block of an engine. In addition to component manufacturing, Componenta's offering includes product development work with the customer, as well as product machining, surface treatment and assembly.

Manufacturing know-how starts with casting

The core of Componenta's business lies in its manufacturing expertise, which includes casting. The main steps in the process of manufacturing castings are:

1. **Design, modeling and manufacture** of castings
2. **Mold patterning**, where fresh or furan sand is deposited on top of the patterns inside the loaded rings. After the molds have hardened (approx. 1 h), the rings and sand are removed from the model.
3. **Making a core.** If the casting has a hollow part, a sand core is made for this part. Preparation takes place in a mold box (flask) in the same way as patterning. After the curing period, the finished cores are finished and coated.
4. **Mold assembly**, where the finished mold halves are coated with a refractory coating. The core is placed on the drag (bottom half), and the cope (top half) is placed on the drag and the complete mold is prepared for casting and transported to the casting point.
5. **Melting of raw materials.** The pig iron, the crushed recycled steel and the own circulating metal from the casting process are melted in an induction furnace.
6. **Mold casting.** The molten iron is poured into a casting trough, from where it is poured into molds at the casting point. The casting temperature is usually around 1300-1450 °C. Depending on the size and material of the casting, the molds are unloaded between 8 and 60 hours after casting.
7. **Post-processing.** The castings are cleaned with a blasting machine or a blowing robot, after which they are de-molded and finished by grinding. Castings can also be heat-treated and painted.
8. **Inspection and customer delivery.** The dimensions and internal tightness of the castings can be checked before delivery to the customer, if necessary. The customer pays the transport costs.

Stages of the casting process

- Manufacture of castings
- Mold patterning
- Making a core
- Mold assembly
- Melting of raw materials
- Mold casting
- Post-processing
- Inspection and customer delivery

Source: Valuatlas.fi

Company description and business model 3/5

The foundry business is highly energy-intensive. Typically, the energy consumption of an iron foundry is around 2 MWh per ton produced.

The foundry industry has undergone two major structural changes in recent decades, one being the gradual unwinding of overcapacity in the sector and the other the outsourcing of foundry operations from in-house operations of large engineering companies to bought services. The global activities of Componenta's main customers and their demands for quality, competence and flexibility in foundry operations have maintained Componenta's position as the number one player in the Finnish foundry industry.

Componenta Castings has two foundries

Componenta has two foundries, one in Karkkila and one in Pori. Their main features are set out in the table below. Componenta's foundries are the largest in Finland and together they account for about 40% of the country's total iron foundry capacity. They are also the only fresh sand foundries in Finland. Fresh sand molding is used for the casting of demanding mass-produced parts and this is where Componenta aims to differentiate itself.

Componenta Manufacturing's activities are specialized

The adjacent table describes Componenta Manufacturing's locations and operations (Fortaco's Kalajoki and Sepänkylä operations are described in the section separated by a dotted line while the acquisition is still ongoing). Manufacturing's machining services business is very diversified and the table shows only part of the range of products and services. We estimate that the existing sites are so specialized, e.g. in terms of machining centers and lathing classes, that a merger would not be justified. The locations are also convenient for customer contacts.

The key operational parameters for the machining, forging, tube and plate services are:

- **Materials:** Castings; forgings; fittings; structural and engineering steel; carbon and carbon steel; aluminum; galvanized steel pipe; black steel pipe; acid-resistant pipe; high-strength materials; boron steel
- **Products:** Axles; frame structures; brackets and fasteners; covers; bushings; annular products; beams and booms; blocks; gears; rings; discs; molded parts; hydraulic, brake, lubrication and nozzle pipes; welded and brazed tubes; sheet metal parts; machining jigs, oil sumps, engine and generator mounts
- **Other services:** Machining; sawing; heating; open-die forging and presses; gas and plasma cutting; edging; annealing and heat treatment; shot blasting; welding; washing; bending; fitting; assembly; brazing and 3D measurement.

Componenta Castings Oy	Karkkila	Pori
Capacity ton/year	30,000	18,600
Materials	Spheroidal graphite iron, ADI, gray cast iron	Spheroidal Graphite iron, SSF, gray cast iron
Unit weights, kg	30-350	1-100
Series, pcs/year	100-60,000	100-50000
Heat treatment	ADI, Stress relief ferritization, pearlitizing	Ferritization pearlitizing annealing
Personnel, ca.	220	100

Source: Componenta, Inderes estimates

Componenta Manufacturing Oy	Jyväskylä	Härmä	Kurikka	Leppävesi	Sastamala	Kalajoki+Sepänkylä
Operations	Machining, services, material services, (hydraulic pipe manufacturing, forging)	Machining services	Machining services	Material services (disc clips)	Machining services	Component welding and machining; surface treatment
Example products and services	Hydraulic, brake, lubrication, nozzle, and soldered tubes (tube manufacturing), rings, rims, discs and molds (forging)	Demanding parts, precision machining and challenging assemblies	Small metal components, precision machining	Disc clips, machined jigs	Special drilling,, grinding and lathing	Heavy welded structures, e.g., for the marine and energy industries
Personnel ca.	120	60	40	25	40	60

Company description and business model 4/5

Material sourcing is mainly iron and recycled steel

Componenta's foundries (Castings) mainly purchase pig iron and recycled steel. Pig iron is sourced from a variety of sources, e.g., from China and America, and a lot through steel wholesalers. Another part of the foundries' raw material needs is met by recycled steel. Componenta prefers grades that are generally surplus steel from the processes of steel product manufacturers and not, for example, scrap steel with high levels of impurities. Componenta aims to maximize the share of recycled steel in its foundries, but this is affected by the availability of proper-quality scrap. To ensure basic availability, Componenta has agreements for certain volumes with companies specializing in the recycling of steel scrap.

Componenta Manufacturing's purchases are largely plates, tubes, rods, fastening accessories and e.g. aluminum. Manufacturing sources a significant and growing proportion of its castings from within the group from Castings. However, the share is optimized at group level, and Componenta examines on a specification-by-specification basis whether it is worth processing a casting from Castings itself, or whether it makes more economic sense to sell the casting to a third party and have Manufacturing source the casting it needs elsewhere. We also welcome the competitive tendering of own foundries within the group.

Most customer industries are cyclical

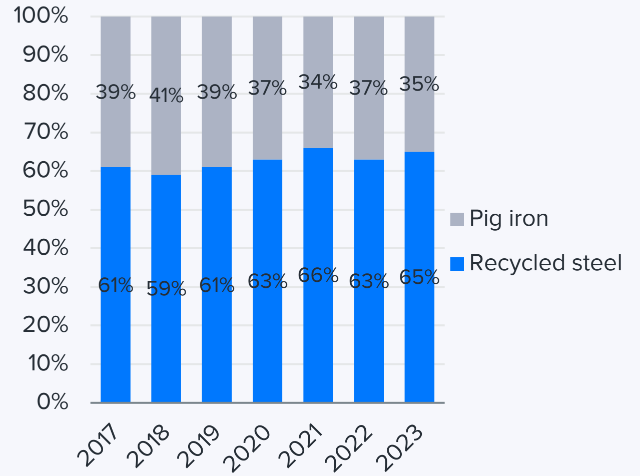
Componenta's main customer groups are machine building (44% of revenue in H2'H1'24), agricultural machinery (24%), forest machinery (7%), energy (11%) and defense equipment (9%), with the rest (6%) coming from other industries. The majority of customer industries are cyclical. However, Componenta's own cyclicality is reduced by the following factors: 1) there are many customer industries and they can be at different stages of the cycle, and 2) the energy and defense industries are clearly growing as a share of revenue and their cyclical fluctuations have largely different drivers than the other industries mentioned.

Customers at the forefront of their industries

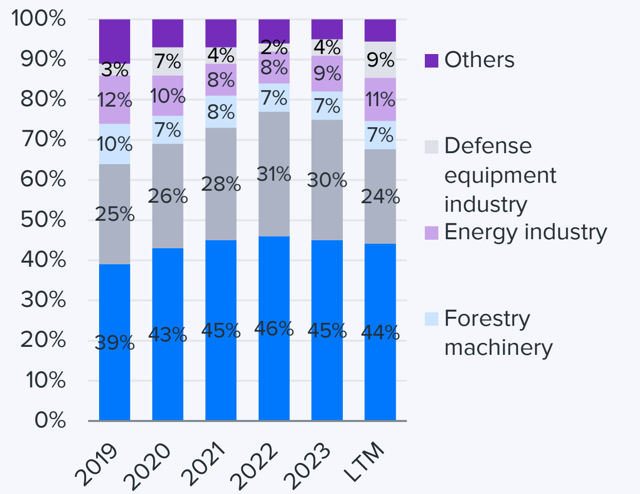
Componenta's Castings and Manufacturing businesses have many common customers, but the number of customers is not disclosed. The group has a three-digit number of customers, but the company has not given any further indication. The customers are, to a large extent, globally leading engineering companies in their respective industries with significant manufacturing operations in Finland.

Componenta does not disclose the names of its main customers. However, KONE, Wärtsilä and AGCO, among others, were mentioned as representatives of client industries in the 2014 CMD materials. Since all these companies still have manufacturing operations in Finland (KONE in Hyvinkää, Wärtsilä in Vaasa and AGCO in Suolahti and Linnavuori) and since Componenta says it has not lost any customers, we believe that these companies will continue to be key customers. In addition, according to public sources, Cargotec was already a customer of Komas and we believe that Cargotec and Kalmar are on Componenta's customer list. Our general understanding is that practically all the Finnish units of the machinery companies on the main list of

Raw material use in the group's foundries



Revenue shares of customer industries



Source: Componenta

Company description and business model 5/5

Nasdaq Helsinki are Componenta's customers. In H1'24, Componenta had two customers with a share of more than 10% of revenue (23% and 11%, respectively). However, we estimate that the larger of these customers is not domestic.

Old and deep supplier relationships

According to Componenta, the customer's choice of supplier is determined not only by competence but also by the traditional criteria of quality, reliability and speed of delivery, as well as price. Componenta's key customer relationships go back decades and customer loyalty is strong. Although Componenta has not lost any customers, it has disengaged from some of those with whom cooperation has not been in line with its objectives, e.g., through pricing. The basic service also includes joint product development work on the manufacturability of products, involving consultancy and prototyping. For many individual titles, Componenta is the customer's sole supplier.

New customers are also being acquired

Componenta is also working on targeted new customer acquisition, especially in Sweden, and progress has been made. When acquiring new customers, Componenta's message focuses on competence, flexibility and security of supply rather than on price.

Contracts hedge against cost risks

Supply contracts cover volumes, quality, delivery times and prices. Componenta has some frame agreements with its customers and in some cases capacity can be reserved for a customer up to a certain base load. However, practices vary from client to client. In some contracts Componenta has direct access to the customer's production plans, but in many cases the forecasts provided are much looser. Componenta's own capacity planning is based on a forecast of customers' production prospects for the next 12 months, updated once a month. Componenta does not maintain trading stocks, and in the face of fluctuations in customer demand, the company's flexibility and speed of delivery are key competitive advantages.

Componenta's pricing is in principle cost-based, plus a target margin (cost-plus pricing). The size of the margin depends on the product, the customer and the competitive situation. Almost all Componenta's supply contracts currently contain price clauses related to market prices of raw materials and energy (electricity), which take effect with a delay of one quarter. Thus, Componenta is quite well hedged against the main cost risks related to production factors.

Our assessment of key customers:

AGCO

WÄRTSILÄ

KONE

Puolustusvoimat
The Finnish Defence Forces

Possible other customers:

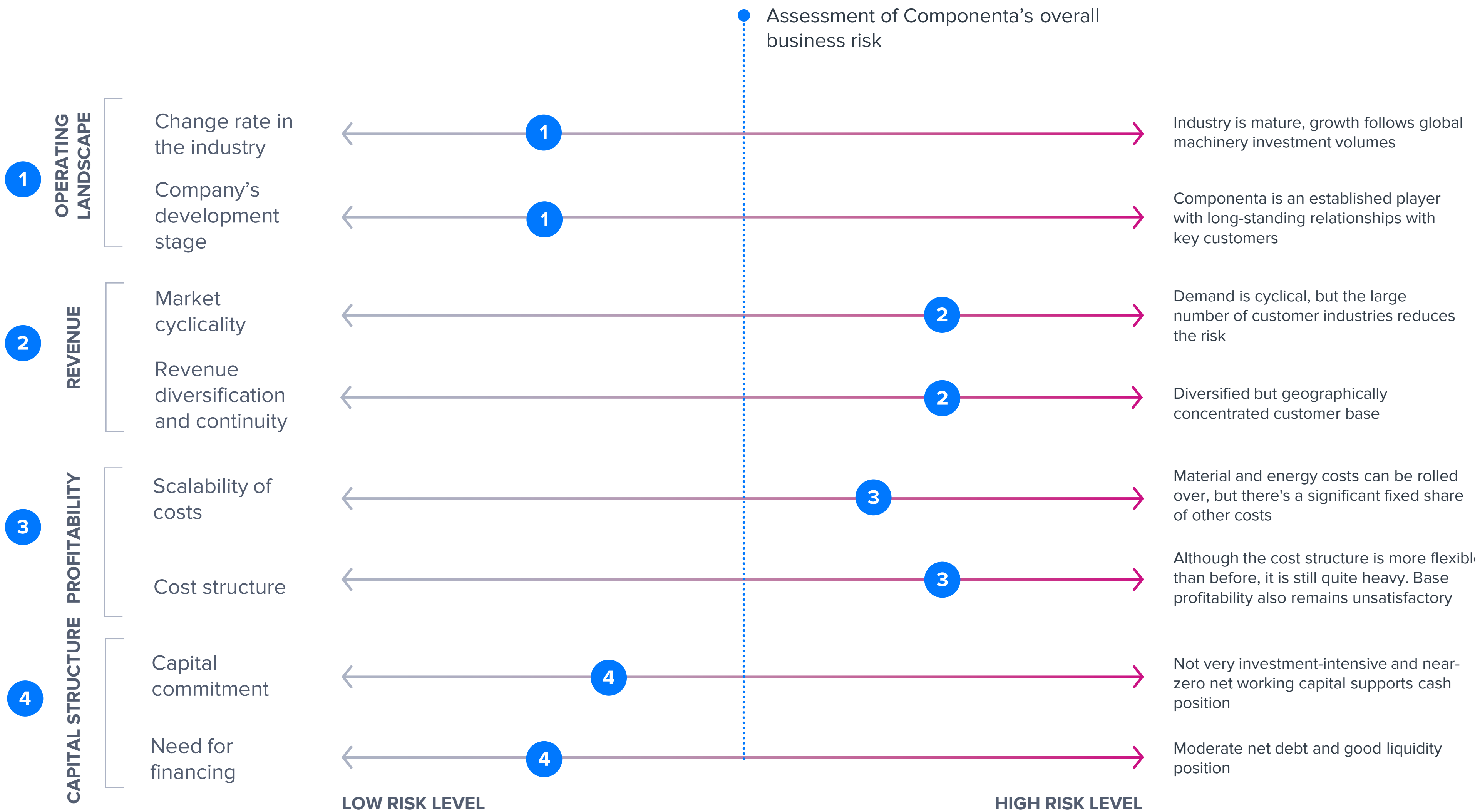
KONECRANES

metso

PONSSE

CARGOTEC

Risk profile of the business model



Source: Inderes

Investment profile 1/2

The profile is getting clearer

Componenta is a traditional industrial company with a long history, a well-established position and customer base, at least in Finland, and a trend towards improved profitability following restructuring and strategic reorientation. However, its position in the eyes of investors has been weighed down by the failure of its aggressive internationalization in recent years and the subsequent restructuring, the cyclical and historically low profitability of the company and the industry as a whole, and the perception of a weak bargaining position vis-à-vis its clients. However, the restructuring that has taken place and the progress in the value chain with the acquisition of Komas, the expansion of the customer base, the increased flexibility in the cost structure and the evidence of improved profitability show that Componenta has many attractive features for investors. The following are what we consider to be the key positive and negative value drivers for the coming years.

Positive value drivers

The strategy has proven its effectiveness: Componenta's divestments, the acquisition of Komas, the focus on short production runs and flexibility, and the move away from highly competitive truck manufacturing have led to a clear improvement in the company's financial performance.

Strong customer references: Almost all large machineries with manufacturing operations in Finland are Componenta's customers. Customers are very demanding, which is a testament to Componenta's service capability. At the same time, their threshold to switch from Componenta to another supplier is high. Componenta also aims to achieve significant growth by offering new products and services to existing customers.

The cost structure is more flexible than before: If all operational cost items other than material and supplies, external services, rented labor, energy costs and production tools are fixed in the short term, Componenta's share of fixed costs in total costs has fallen from 51% in 2020 to 39% today. In addition, Componenta has indexed both material and energy costs in the pricing of its supply contracts, so that sales prices react to these costs with a lag of only one quarter.

The tax rate for the coming years is low: Componenta's deductible losses keep the group's tax rate at zero in our projections for 2024-2027.

Acquisition-driven growth underway: Inorganic growth is part of Componenta's strategy. The acquisition criteria include a good fit with the current strategy, the customers to be acquired and the geographical perspective (e.g. Sweden). We believe that the acquisition of Fortaco's Kalajoki and Sepänkylä operations is a good strategic fit and we believe that M&A activity will continue.

Negative value drivers and risks

There is historical baggage in the investor image: Componenta still has some work to do to repair its image with investors after its aggressive internationalization in the early 2000s and the losses and restructuring that followed.

The market is cyclical: Componenta's customer sectors represent the investment goods industry, which is cyclical in nature. However, the cycles may offset each other in some respects.

Individual customer risks are high: Componenta's largest single customer accounted for 23% of revenue in H1'24.

Underlying profitability is low: Even in its current form, Componenta's underlying profitability has been low: the adjusted EBITDA margin in 2020-H1'24 was between +1.9% and +6.8% and the EBIT margin between -4.2% and +1.7%. Therefore, the result can easily turn into a loss if demand falls rapidly.

Long-term profitability targets have not been published: This fact maintains uncertainty among investors as to what kind of economic development the company is aiming for and what it believes in.

The liquidity of the stock is thin: From September 2023 to August 2024, the stock had a relatively low liquidity of 22%. This is causing some institutional investors to shy away from the stock, as it is challenging to buy and sell in bulk.

Investment profile 2/2

1. **The focus has shifted from mass products to a more tailored offering**
2. **Customer references are compelling**
3. **Profitability and flexibility of cost structure have clearly improved in recent years**
4. **The market is cyclical**
5. **Underlying profitability is low across the industry**

Potential

- Increasing the range of products and services offered to existing customers
- Balancing cyclicality by increasing the shares of the energy and defense industries
- Strong customer references make it easier to find new customers
- Improving underlying profitability through a more flexible cost structure
- Continuation of selected acquisitions in neighboring regions

Risks

- Market cyclicality
- Large single customer risk
- Still relatively low underlying profitability, meaning that the result can easily turn into a loss in the face of rapidly declining demand
- Thin liquidity of the stock discourages institutional investors

Source: Inderes

Componenta's strategy

Total supply at the heart of the strategy

At the beginning of the year, Componenta announced a new strategy for 2024-2026. Compared to the previous strategy for 2019-2023, the core of the strategy remains unchanged, i.e. to be the full-service provider of choice for a broad range of customers. The focus areas of the new strategy are:

In-depth customer knowledge: Componenta wants to increase customer knowledge throughout the organization and improve both the sales process and account management. The role of product development cooperation will be emphasized in improving customer knowledge. Growth will be sought not only from existing customers, but also from Sweden and other European countries.

Sustainability: Componenta is implementing its 2030 climate targets by increasing the use of renewable energy, reducing the raw material based carbon footprint and implementing various energy-saving measures in its units. Occupational safety and employee well-being are highlighted as areas for development. Diversity, non-discrimination and equality are an important part of corporate culture.

Operative reform: The desired quality standards and excellent delivery performance will be made visible throughout the supply chain. Productivity will be improved and supply will focus on higher value-added components. Machine usability will be increased and the availability of competitively priced materials will be ensured.

Personnel as a key to success: The goal is to be a sought-after and well-known employer. Componenta has a single corporate culture where collaboration and continuous renewal are emphasized. Uniform procedures will be introduced for various stages of the career path and the company will invest in work ability management and continuous development.

Inorganic growth: Componenta is still exploring M&A opportunities to grow also inorganically.

Profitability targets have not yet been published

Componenta has set a revenue target of 200 MEUR for the strategy period, of which 50 MEUR will come from acquisitions and the rest organically. However, Componenta still does not publish its profitability targets and only talks about "continuous improvement of profitability".

The strategy still needs more substance

Common elements with the old strategy are the priorities for inorganic growth and personnel. The previous pillar of the strategy, "Improving competitiveness", has been replaced by "Operative reform", the content of which is nevertheless similar. "In-depth customer knowledge" is apparently thought to be a better description of the growth conditions required than the rather mechanical-sounding "Expanding the offering" and "Customer-driven profitable growth" of the previous strategy. The change seems justified to us. However, we would have liked to see more concrete information on the components of growth (new products and customers) and especially on how profitability will be improved. We also missed the announcement of the profitability target and dividend policy. Given Componenta's position in the value chain and its strong customers, the announcement of a profitability target can naturally be a sensitive issue. However, we believe that targets such as an EBITDA margin target of >10% and/or an EBIT margin target of >5% over the cycle would be at levels not yet triggering a significant reaction from key customers.

2024-2026 focus areas of the strategy

- In-depth customer knowledge
- Sustainability
- Operative reform
- Personnel as a key to success
- Inorganic growth

Source: Componenta

Industry and competitive field 1/4

The foundry market is large and fragmented

The foundry industry is a mature and highly fragmented industry that is active all over the world. According to the European Foundry Organization (CAEF), more than 45,000 foundries worldwide produced 110 million tons of castings in 2021. China accounted for around 49% of this amount, India 11%, Europe 11% and the US 9%. About 70% of the castings were from Componenta's segment, i.e., iron castings, about 10% steel castings and the remaining 20% non-ferritic metals such as copper and aluminum castings. In Europe too, the industry is highly fragmented. According to the European Foundry Association (CAEF), Europe has 6,000 foundries with a combined production value of around 45 BNEUR in 2022, of which iron and steel foundries accounted for 25 BNEUR. Of these 6,000 foundries, 70% have fewer than 50 employees. Indeed, a key feature of the sector is its local or regional character and its focus on local customers.

Customer relationships and close location are key

While there are clear economies of scale in foundry operations, the individuality of customer needs in terms of casting characteristics and flexibility / speed of delivery makes economies of scale rather insignificant. In the industry, the importance of close customer relationships and cooperation, quality and competence, as well as security of supply, is therefore in most cases more important than the ability to produce at the lowest operational cost. As the average value of castings per unit weight is relatively low, transport costs also play a significant role. Therefore, the location of the foundry reasonably close to the customer is a clear competitive advantage. Although there are some imports of foundry products from Central and Southern Europe and even Turkey, Componenta practically limits its target market to the Baltic Sea region and northern mainland Europe.

Castings market to grow by a good +3% over the next few years

The development of the foundry market naturally follows the development of the customer market. These are investment goods, the demand for which is clearly affected by, e.g., interest rates. Recent forecasts for the market development of some of Componenta's end-customer sectors between 2024 and 2028 are rather optimistic: Mordor Intelligence forecasts nominal growth of +5.2% p.a. for the global tractor market, TBRC forecasts growth of +5.7% p.a. for the global forestry machinery market, and Statista forecasts growth of +5.3% p.a. for the global elevator and escalator market. These growth expectations sound rather ambitious but are broadly in line with the IMF's global nominal GDP growth forecast (+4.7% p.a. between 2024 and 2028).

Since a detailed forecast of the development of the end-customer market for foundry products and its various sub-segments would be very laborious, we have estimated the market for foundry products on the basis of more general drivers. We assume Europe to be by far the most important market for Componenta's Finnish customers. In Bloomberg's consensus forecasts, combined EU and UK real GDP growth, industrial output growth and real investment growth all average around +1% p.a. In 2024-2026. Average inflation for the same area for 2024-2026 is expected to be just over +2% p.a.

Key figures for the foundry industry

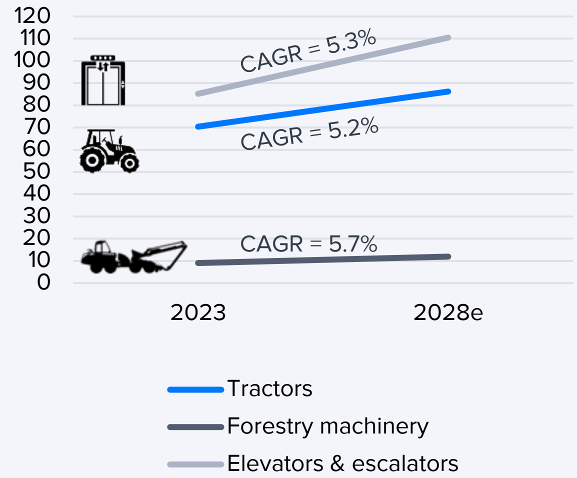
Number of foundries

- ~45,000 globally, of which 80% are iron and steel foundries
- 6,000 in Europe, of which 45% are iron and steel foundries
- 30 in Finland, of which 15 iron and steel foundries

Value of iron and steel foundry output 2022

- Global 142 BNEUR
- Europe 25 BNEUR
- Finland 0.20 BNEUR

End-customer market growth forecasts, BNUSD



Source: CAEF, SVY, Mordor Int., TBRC, Statista

Industry and competitive field 2/4

Taking all these factors into account, we estimate nominal growth in Componenta's main end-customer market to be a good +3% p.a. in our forecast period 2024-2027. In our view, this also provides a sufficient approximation for growth in the castings market over the period.

Machining services are a large, diversified and growing sector

Componenta's other main segment, machining services, is still much more fragmented than foundry operations. Machining services are similarly global and the investment required to start up and maintain operations is significantly lower than in foundries.

The largest global customer industries for engineering services are the automotive, engineering, aerospace, shipbuilding, railway, defense equipment, energy, healthcare and consumer products industries. The industry is estimated to be worth around 325 BNEUR globally this year (source: Cognitive Market Research) and around 81 BNEUR in the EU, making it significantly larger than the foundry industry. According to IBIS, there are more than 127,000 companies in the sector in the EU alone, employing around 715,000 people, so the average number of employees in companies is only six. In 2022, a total of 1,880 companies operated under the industry code "Metal work" in Finland. The sector's revenue was 3.6 BNEUR and the average number of employees was eight. The large number of companies in the sector is further explained by the scope of the definition and the number of different machining processes (e.g. turning, milling, grinding, drilling, boring and CNC machining).

Growth forecasts for the European market for machining services (and the machine tool market as an indicator) between 2024 and 2030 are generally +4% p.a. (e.g. Virtue Market Research, Fortune Business Insights). Demand for services is being driven by a gradual recovery in investment demand (driven by advances in automation and robotics, among other things), increasing demand for precision components in general, and demand for components generated by the green transition in areas such as solar, wind, electric vehicles and appliances. Following Russia's invasion of Ukraine, demand from the European defense industry is also growing strongly.

Competition is regional

In both foundry and machined products, competition is largely local or regional due to high requirements in terms of flexibility, delivery times and otherwise close contact with customers. Since competition therefore generally means competition for customers in a given area, monitoring market share at national or continental level is not a very meaningful measure of competitive position.

A comparison with other companies in the sector is further complicated by the fact that Componenta has no direct competitor with a similar offering. Componenta's main competitors therefore consist of two groups of companies, 1) foundry companies and 2) machining services companies, both of which are mainly Finnish, Swedish and German. We have compared the growth and profitability profiles of competitors / peer companies to Componenta and the results are presented on page 18.

Key figures for the machining services sector

Number of companies

- 127,000 in Europe, with an average of 6 employees
- ~1,900 in Finland, with an average of 8 employees

Industry revenue 2024e

- Global 325 BNEUR
- EU 81 BNEUR
- Finland 3.6 BNEUR (2022)

Source: Precedence Research, IBIS World, Statistics Finland

Industry and competitive field 3/4

A comparison of Componenta's longer-term historical performance with other companies is complicated by the fundamental restructuring (described earlier) that the company has undergone. The restructuring has mainly affected the Castings business, which went through a tough divestment and restructuring program in 2016-2019. As historical pro forma figures for Castings have not been available to us, we have only been able to eliminate the most significant one-off items from the 2016-2017 results.

The main observations regarding the size of the companies and segments in Componenta's division and the growth and profitability trends are as follows:

- The **median revenue** of the peer companies in 2018-2023 was around 20-35 MEUR for foundry companies and around 60-80 MEUR for machining service companies, which makes them suitable for comparison with Componenta Castings and Componenta Manufacturing in terms of size. Of course, there can be significant differences in products, customer groups, business models, and performance drivers between companies.
- The **median growth rate** (CAGR) for foundry peer companies over the 2018-2023 period was a modest +2%, reflecting both the impact of COVID (2020-2021) and slower performance in 2023. Due to structural changes, a similar figure cannot be calculated for Componenta Castings.
- The **median growth rate** (CAGR) of machinng services companies between 2018 and 2023 was +5%, well above that of foundries. The corresponding figure for Componenta Manufacturing was +4% p.a. The difference is not significant.
- The **EBIT margin** of machining services companies has been on a clear upward trend even since before the pandemic, while the median margin of foundries has been stuck at 2-4%. Foundry companies have been plagued by **overcapacity** in the sector, which is gradually being reduced as foundries using old blast furnaces in Central Europe close. Componenta estimates that these will not be reopened after closing. Componenta itself uses modern medium-frequency induction furnaces in its smelters. However, Componenta does not believe that foundry closures will solve the problem of overcapacity.
- Other challenges for foundries are the fierce **price competition** and high bargaining power of customers in some segments (e.g. heavy-duty trucks) and the low value added of contract manufacturing. However, the structurally low profitability of the foundries is likely to limit further price competition.
- The better profitability of machinery service companies compared to foundries reflects the former's ability to **specialize**. For foundry companies, this is more difficult.
- Componenta's profitability in both main businesses has traditionally been below the median of its peers, but the implemented restructuring has helped to close the gap after 2019. However, Componenta Castings' adjusted profitability development in 2023 was significantly worse than that of its peers. This was compounded by weaker customer order flow and destocking, which cut Componenta's capacity utilization while the ramp-up for new products squeezed margins. The problem should be temporary.

Key features of the competitive landscape

- Huge number of companies in the main sectors
- Competition is local/regional in both main businesses
  - The battle is for customers in a particular area
- The profitability of foundries is structurally low:
  - Overcapacity
  - Fierce price competition
  - Customers often have great bargaining power
- Machining service companies are more profitable than foundries:
  - This is due to the ability to specialize

Industry and competitive field 4/4

Componenta's competitive position is strong

Overall, we believe that Componenta's competitive position is strong. The company's client base is diverse and its main clients represent the leading players in their field. In foundry operations, Componenta specializes in short and medium production runs, giving customers the flexibility they need. In machining services, the company's service offerings and expertise are diverse. Our summary of Componenta's competitive position is as follows:

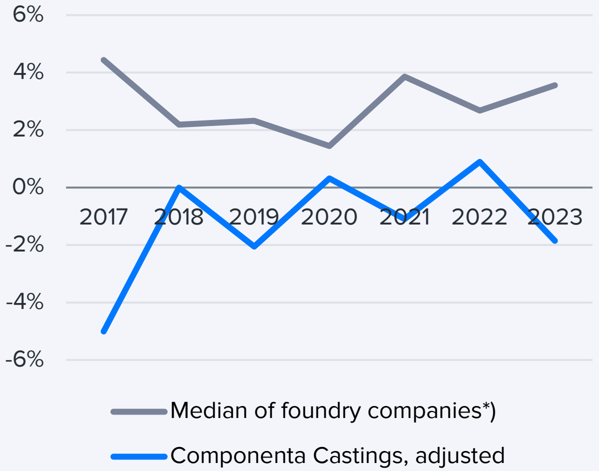
Strengths:

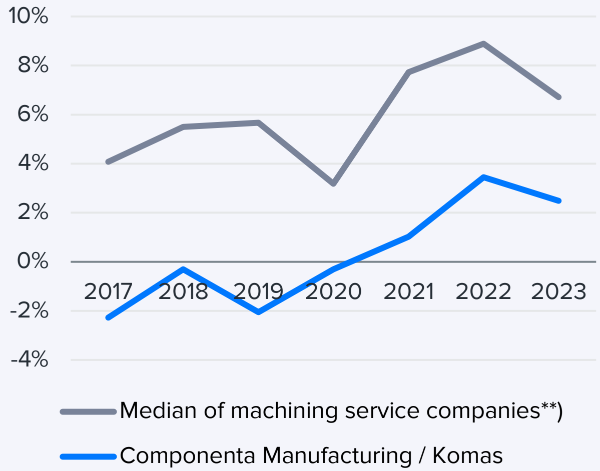
+ High-profile customers and know-how acquired through customer relationships
+ Service excellence (wide range of products, ability to deliver flexibly and quickly, simplicity created by long-standing customer relationships)

Weaknesses:

- Level of automation not up to the level of some competitors
- Personnel costs higher than in e.g. Eastern Europe

EBIT margin of Componenta's main businesses relative to peers





**) Suomivalimo Oy, LeinoCast Oy, Peiron Oy, Ulefos Oy, Uudenkaupungin Rautavalimo Oy, Arvika Gjuteri AB, Baettr Guldsmedshyttan AB, Åkers Sweden AB, Gießerei Heunisch GmbH, Industrie Holding Isselburg GmbH, Georg Fischer Castings Solutions*

***) OSTP Finland Oy, HT Laser Oy, Suomen Vesileikkaus Oy, Leden Finland Oy, Ferrum Steel Oy, Leax Group AB, Sibbhultsverken Group AB, Georg Fischer Machining Solutions*

Financial position 1/2

Repayment of restructuring debt in 2021 was a relief

The history of today's Componenta begins in August 2019, when Komas Oy (now Componenta Manufacturing Oy) was acquired. At that time, however, the restructuring programs of the parent company Componenta Oyj and its subsidiary Componenta Castings Oy were still ongoing. At the end of 2020, Componenta raised gross funds of just under 10 MEUR through a share issue, which was used for the early repayment of restructuring liabilities (ca. 12 MEUR at the end of 2019). Componenta Oyj repaid its restructuring debt of around 6 MEUR in March 2021, and the parent company's restructuring program ended the following month. Similarly, Componenta Castings Oy repaid just under 6 MEUR of restructuring debt in October 2021 and the company's restructuring program ended immediately. Thus, all of Componenta Group's restructuring program ended during 2021.

Growth has been in line with the industry

Due to the structural changes that have taken place, it is difficult to assess the Componenta Group's comparable growth over a longer period. Among the Group companies, the structure of Componenta Manufacturing / Komas has remained unchanged since 2018 and the average growth rate of the unit's revenue in 2019-2023 was a moderate +3% p.a. This development was of course influenced by the COVID pandemic. However, the pandemic had little impact on the development of Componenta Castings' revenue and the growth rate was +8% p.a. Growth was supported by both volume and price factors. Based on figures from various sources, we estimate the current Componenta Group's revenue growth for 2019-2023 at +4% p.a., which we consider a good performance in a difficult operating environment.

Profitability requires volumes

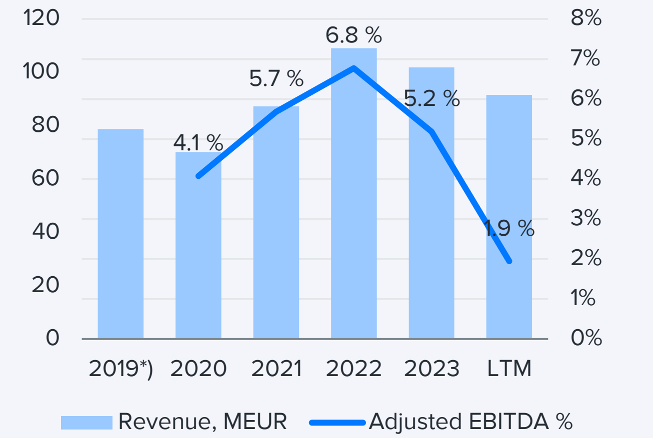
As noted in the Industry and competitive field section, profitability in the foundry sector in particular has historically been low, and the Componenta Group's profitability was also low for a long time. However, the trend has turned positive and the EBITDA margin for H1'23 (9.0%) started to reach a satisfactory level given the nature of the industry. However, the slump in revenue in H2'23 (-24% y/y) undermined further improvement and the EBITDA margin plummeted (-0.3%). H1'24 saw a cautious turn for the better (EBITDA margin 3.8%), although volumes were still low (revenue -17% y/y).

It should be noted that Componenta's depreciation is about 5% of revenue, which is about 2.5pp higher than the median for listed Finnish engineering companies. Thus, EBITDA is a better indicator than EBIT when looking at Componenta's operational profitability and comparing it with engineering companies.

The most significant impact on Componenta's profitability was due to volume changes and own efficiency measures, but the content and impact of the latter have not been specified. Though Componenta's supply contracts include clauses on passing on changes in both material and electricity prices to the group's own sales prices, the change occurs with a quarterly lag and at a ratio of 1:1, so when costs are rising this has a slight negative impact on margins.

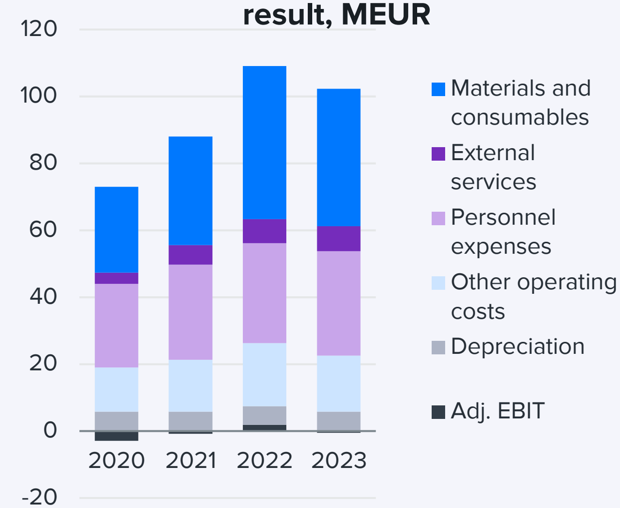
Although the share of fixed costs has clearly decreased, it is still significant (39%). This combined with the still relatively low level of profitability means that the company's EBIT would easily fall into the red if revenue fell sharply. However, Componenta also has low throughput production schedules where the

Revenue and profitability 2019-H1'24



*) = pro forma
LTM = H2'23-H1'24

Revenue distribution between costs and result, MEUR



Source: Componenta, edited by Inderes

Financial position 2/2

flexibility is mainly in adjusting the number and timing of shifts. In addition to the flexibility offered by agency work, Finnish dismissal practice also offers flexibility in such situations, unlike its foreign counterparts.

The interest rates paid are rather high

Componenta's net interest-bearing debt is quite small (9.1 MEUR at 12/31/2023 and 8.9 MEUR at 6/30/2024). Despite this, net financial expenses are high; in H2'23-H1'24 about -2.3 MEUR. On an annual level, expenses are increased by interest on lease liabilities (about -0.5 MEUR), interest on factoring financing (estimated at -0.5 MEUR) and fees on financial liabilities, including credit lines (-0.3 MEUR). We also believe that the interest rate on actual bank loans is high at 6-7%, which is probably explained by the high risk profile due to the earnings history. There are financial covenants in the loans, but the safety margins should be sufficient. The interest rates on new loans taken up in the context of refinancing should be lower than before.

Confirmed losses keep taxes for the coming years at zero

At the end of 2023, Componenta had a total of 65.5 MEUR of unrecognized losses that will expire in 2024 or beyond. For reasons of prudence, tax assets are not included in the balance sheet. Both of the Group's main subsidiaries (Componenta Castings Oy and Componenta Manufacturing Oy) have significant confirmed losses. Based on the expiration schedule and our projections, they can best be utilized between 2024 and 2027, when the group's tax liability will be zero. We will come back to this in the Estimates section.

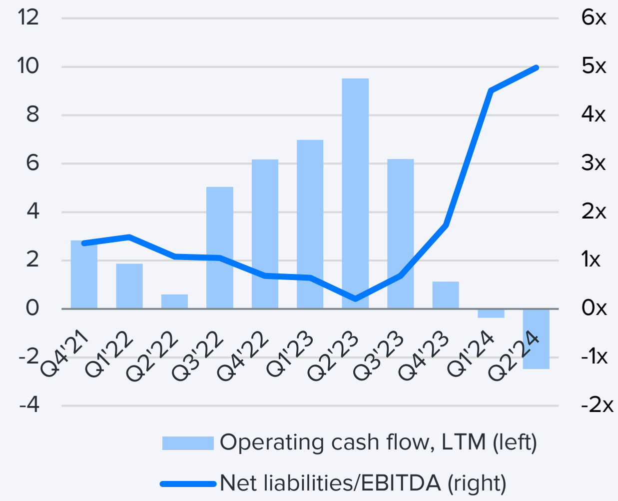
The balance sheet is currently under some strain

Componenta's rolling 12-month cash flow was weak in Q3'23-Q2'24 (-2.5 MEUR), mainly due to lower profitability in Q1'24. However, the lowest quarterly cash flow of the period (-2.7 MEUR) already occurred in Q4'23, due to an increase in net working capital and a decrease in sales volumes. The rolling 12-month cash flow is therefore expected to improve from Q3'24 onwards. However, when assessing cash flow, it should be noted that Componenta typically sells (factoring) about 80% of its sales receivables.

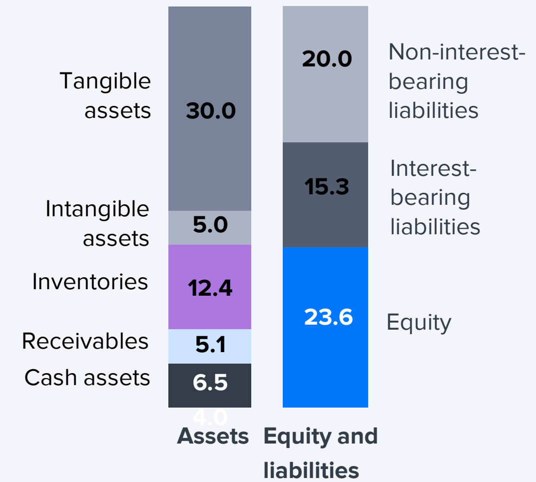
Weak profitability and cash flow pushed Componenta's net debt/EBITDA ratio to an unhealthy level (5.0x) at the end of H1'24. However, if profitability develops as planned, the phenomenon should be temporary.

Other ratios of the group balance sheet at the end of H1'24 were moderate (equity ratio 40% and net gearing 38%). However, it is clear that Componenta's capacity for further debt is now limited, especially considering the 1.8 MEUR cash portion of the Fortaco transaction still to be paid in H2'24.

Cash flow (MEUR) and gearing



Balance sheet structure H1'24, MEUR



Source: Componenta, edited by Inderes

Fortaco acquisition estimate

Difficult-to-assess takeover target

The acquisition of Fortaco Oy's Kalajoki factory and Sepänkylä machining and service center, announced by Componenta in July 2024 and expected to be completed in early October 2024, is not an easy acquisition to evaluate. The revenue of the businesses to be acquired has been highly volatile and profitability has been weak for a long time. However, Componenta believes it can turn Fortaco profitable.

Revenue has been under pressure for a number of reasons

Fortaco's revenue has fluctuated significantly in recent years. The main reasons for this are 1) a decrease in demand from customers in the energy sector (2019), 2) the COVID pandemic (2020-2021), 3) the impact on sales prices of a reasonable increase in raw material costs (2022), and 4) a decrease in sales prices due to raw materials and a decrease in orders from contract customers (2023). We estimate that the acquired businesses and assets have the potential to generate revenues of 18-20 MEUR under normal circumstances, implying a 18-20% increase in Componenta's 2023 revenue.

Fragile earnings history due to volume volatility

Fortaco's EBITDA has been in the red for five years in a row. However, in H1'24 the margin was 0.4% positive. Profitability has been burdened by strong volume volatility, to which staff costs and other business expenses have not reacted quickly and strongly enough. Fortaco's dependence on individual customers has been high and the company has also had overlapping capacity. There have also been shortcomings and delays in the indexation of product prices.

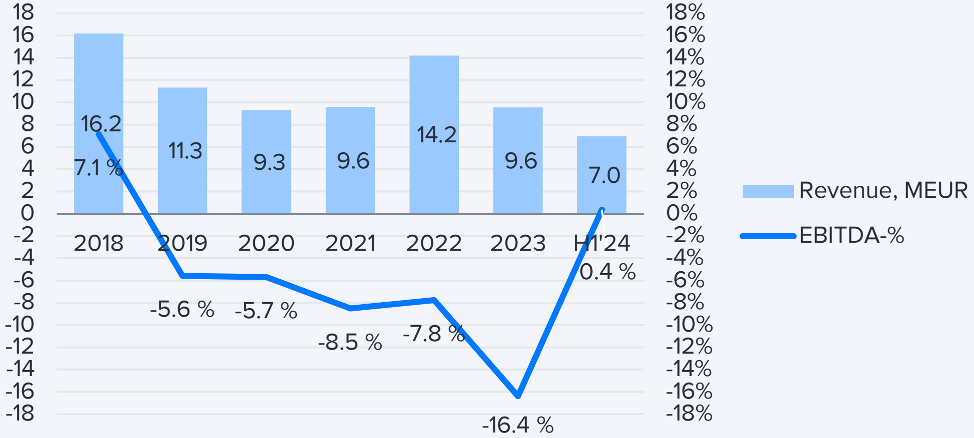
Many ways to improve performance

The main elements of Componenta's plan to make Fortaco profitable are 1) the elimination of overlaps; 2) internal synergies (e.g. Fortaco's plate purchases from Componenta's plate service unit); 3) the use of Fortaco's welding expertise elsewhere in the group, with new customers and cross-selling increasing capacity utilization; and 4) the development of raw material price indexation. The strength and timing of the intended turnaround has not been disclosed, making it difficult to assess. Fortaco's figures will no longer be reported separately.

The transaction price is justifiably low

Componenta will acquire only Fortaco's inventory and fixed assets (total 2.8 MEUR), of which the real estate portion (1.0 MEUR), minus the rent costs, will be payable one year after the transaction. If and when the purchase prices of the respective balance sheet items are fair, the total purchase price is very reasonable. Of course, given Fortaco's poor earnings track record, this is as it should be.

Fortaco's adjusted figures 2018-H1'24



Source: Fortaco, adjustments by Inderes

Estimates 1/5

Background assumptions of revenue estimate

Given the regional/local nature of the foundry and machining services industry and the fact that a reasonable distance to the customer's plant is often a prerequisite for doing business, it is not meaningful to forecast the revenue of an individual company such as Componenta on the basis of either macroeconomic forecasts or forecasts for the foundry and machining services industry. We believe that the best starting point is the information available on Componenta's customers and customer industries.

For Componenta's either known, assumed or potential customers, we have selected the following forecasts as indicators of the development of revenue:

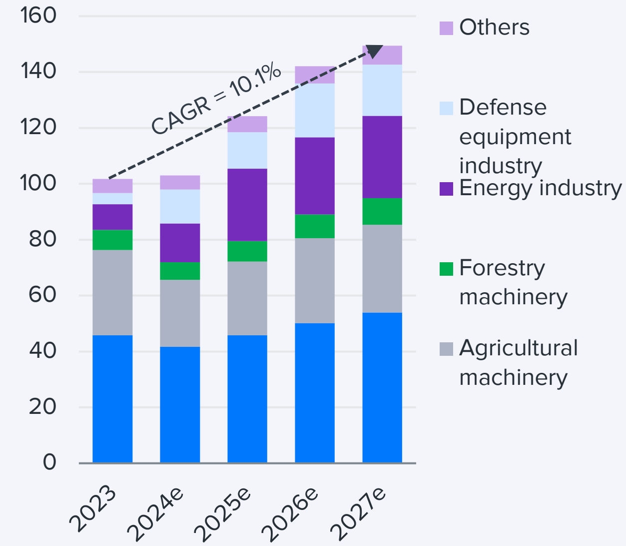
- AGCO's tractor revenue for 2024-2027 in EMEA (Bloomberg consensus 9/03/2024), reflecting Componenta's revenue from its agricultural machinery business;
- Equipment revenue for Cargotec, Kalmar, KONE, Konecranes, Metso, Wärtsilä (excl. energy storage) and Ponsse in 2024-2027 (Inderes' current estimates), reflecting Componenta's revenue from its machine building and forestry machinery businesses;
- For the sake of simplicity, we have assumed that all incremental revenue from the Fortaco acquisition will be allocated to Componenta's energy industry segment. Our forecast for Componenta's revenue growth from the energy industry in 2024-2027 is +34% p.a. (9.2 MEUR to 29.5 MEUR). Fortaco accounts for 80% of the growth in euro terms.
- We have clarified our forecast for the business combination of Componenta's purchase of mortar shells from the Finnish Defence Forces (base contract 41 MEUR) announced in May 2024 and now assume that the 9 MEUR option will also be exercised. Our estimate for the Componenta's defense equipment revenue growth (CAGR) for 2024-2027 is +46% p.a.
- Our forecast for Componenta's revenue growth from other industries in 2024-2027 is +7% p.a. The rapid growth was driven by a weak comparative year in 2023, when the segment's revenue declined more than -20% year-on-year.

We have not taken into account any customers/contracts or acquisitions other than those already known.

Over the forecast period, the machine building segment's revenue will grow by around +4% p.a., the agricultural machinery segment's revenue by +1% p.a. and the forest machinery segment's revenue by +7% p.a. In total, Componenta's CAGR for 2024-2027 is +10% p.a. The energy and defense industries together account for 73% of the growth in euro terms. Over the forecast period, the energy industry will increase its share of sales from 9% to 20% and the defense industry from 4% to 12%, while machine building will decrease from 45% to 36% and agricultural machinery from 30% to 21%. We see the rebalancing of Componenta's sales mix as a clear factor that lowers the company's risk profile.

Among the items to be passed on to customers, both pig iron and electricity prices will be slightly lower in the forecast period than in 2023 on average. This has a marginal negative impact on revenue growth.

Revenue by customer group, MEUR



Source: Componenta, estimates by Inderes

Estimates 2/5

Background assumptions of profitability estimate

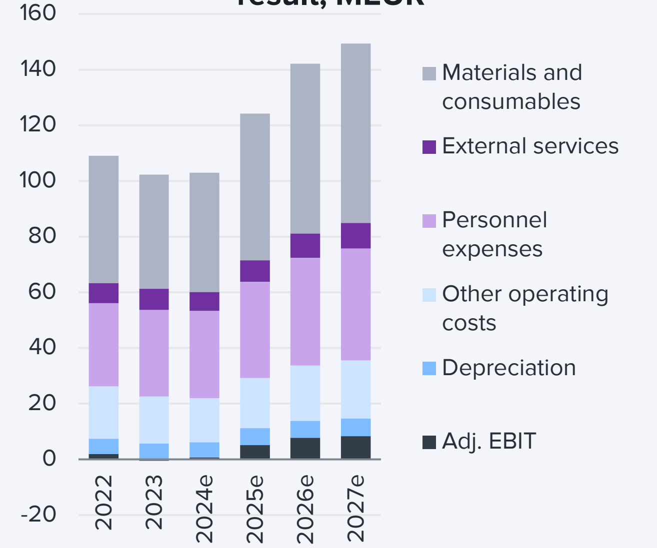
Our main assumptions regarding Componenta's performance are as follows:

- As a result of the indexations that have been and will be implemented (Fortaco), the cost of materials and supplies as a percentage of revenue will remain at 42-43% over the forecast period;
- The share of external service costs (incl. production subcontracting services such as painting, surface and heat treatment of products) is also quite stable at 6.1-6.5% of revenue;
- We estimate that personnel costs per employee will remain roughly flat in 2024, as the share of agency labor declines and Fortaco's personnel costs are estimated to be below the group average. Thereafter, we forecast staff costs per person to increase by +2.9% p.a. in 2025 and +2.4% p.a. in 2026 and 2027. Per capita revenue increases by +5.0% p.a. on average over the forecast period, with a low starting level in 2023. Personnel costs as a percentage of revenue is 26.9-30.5% over the forecast period.
- As revenue is expected to grow quite rapidly, other operating expenses (e.g. rent, IT, maintenance) as a percentage of revenue will decrease significantly with Componenta's operating leverage. The change is particularly significant for energy costs, although the price escalation mechanism linked to energy prices also reduces revenue to some extent. Energy prices are falling overall and the consolidation of Fortaco will also reduce Componenta's average energy intensity. Overall, we expect other operating expenses as a percentage of revenue to decline from 17.3% in 2023 to 16.1% in 2024 and further to 14.6% in 2027.
- Apart from the Fortaco acquisition, Componenta has no other significant investment needs. Overall, investments will exceed depreciation by 9% in the period 2024-2027. Over the forecast period, depreciation as a percentage of revenue declines from an adjusted 5.1% in 2023 to 3.8% in 2027.
- We believe that the refinancing of Componenta's existing loans will be on slightly more favorable terms. However, we expect Componenta's interest rate on its loans to remain relatively high at 5.0-6.3% in 2024-2027. We have not modeled the introduction of a 30-month convertible bond facility of 3.0 MUSD and up to 0.75 MUSD in single draws that was agreed in May, even though it has a coupon of only 4.0%. Interest rates on lease liabilities are lower than those on bank loans. We estimate that the sum of the cost of invoices sold and other fees will be approximately -0.8 to -0.9 MEUR per year.
- We estimate that Componenta's deductible losses will be sufficient to keep the group's taxes at zero between 2024 and 2027. The use of group relief also allows for tax optimization. We expect the group tax rate to increase to 10% in 2028 and to return to a normalized rate of 20% from 2029.

Cash flow and balance sheet position

Over the estimate period, investments will increase from -4.1 MEUR in 2023 to -6.4 MEUR in 2027. Investments in 2024 include -1.8 MEUR for the acquisition of the Fortaco businesses. Otherwise, these are mainly replacement investments. Capital expenditure exceeds depreciation by +9% over the

Revenue distribution between costs and result, MEUR



Source: Componenta, estimates by Inderes

Estimates 3/5

forecast period 2024-2027. Taking into account the slightly different capital turnover periods of the Fortaco businesses, the turnover of the working capital items in the forecast period remain roughly at the level of 2022-2023. As we expect Componenta to continue factoring its trade receivables, the group's net working capital will remain very low over the forecast period (0.9-2.1% of revenue) but will no longer be negative as in 2022-2023 (-1.0...-2.7% of revenue). Adding to this the positive development of profitability and taking into account the investments for the Fortaco acquisition, the group's cash flow after investments will be negative in 2024 (-4.5 MEUR), but positive thereafter in 2025-2027 (6.1-8.0 MEUR).

Componenta does not have a published dividend policy, but we believe that the company would like to become a dividend payer as soon as possible. We expect the company to start with a reasonable payout ratio of 41% of earnings in 2025, rising to 48% in 2027.

With cash flow after investments remaining clearly positive after 2024, the balance sheet becomes clearly stronger in our estimates. The group's net gearing at baseline is 67% (2024) but falls to 8% already in 2027. After 2028, our projections show a negative debt ratio, leaving Componenta with the option of investing in organic growth, acquisition(s) or a generous dividend policy to reduce its "overstrong" balance sheet. This is of course a positive problem, but the cyclical nature of the industry and the company's own history ensure that no major strategic risks won't be taken and that a decent buffer is left on the balance sheet for weaker cycles.

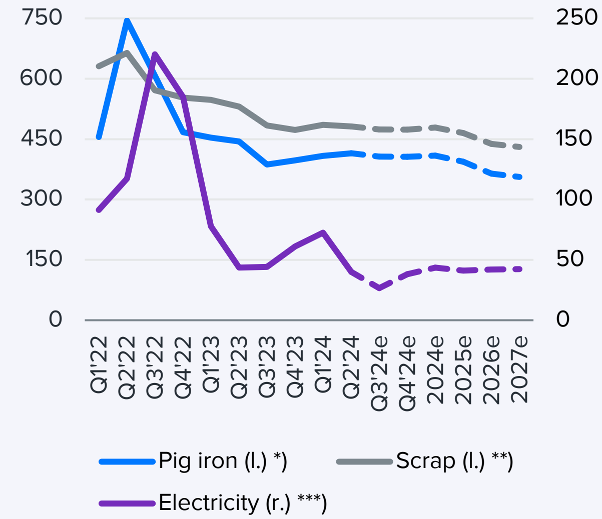
Estimates for 2024

H1' 24 revenue reflected the weak order backlog in Q1 as well as the lower main raw material and energy index levels included in sales prices. Of the total H1'24 revenue decline (-17% y/y), the drop by customer sector was most pronounced in machine building (-21% y/y), agricultural machinery (i.e. tractors; -44% y/y) and forestry machinery (-17% y/y). This was compensated by the energy industry (+14% y/y) and particularly the defense industry (+232% y/y), whose revenue increased from 1.8 MEUR to 6.0 MEUR and whose share of group revenue increased from 3% to 12%. At the end of H1'24, the order book, which includes binding deliveries for the next two months, showed a slight increase of +4% year-on-year. The profitability of H1'24 was mixed: In Q1, EBITDA slipped into the red (margin -0.6%) as low volumes and ramp-up on new volume products weighed on profitability. On the other hand, the EBITDA margin of 7.8% in Q2 was close to last year's level, and the quality problems in the high-volume ramp-up had little impact on profitability. The EBITDA margin for H1'24 as a whole thus stood at 3.8%.

Componenta expects 2024 revenue and EBITDA to improve compared to the previous year (101.8 MEUR and 5.3 MEUR). The improvement is expected to focus strongly on H2'24. The lower end of the guidance assumes around +25% year-on-year revenue growth in H2'24 after a weak comparison period (-24 % y/y in H2'23:) and an EBITDA margin of around 6.5% in the same period (H2'23 act. -0.3%).

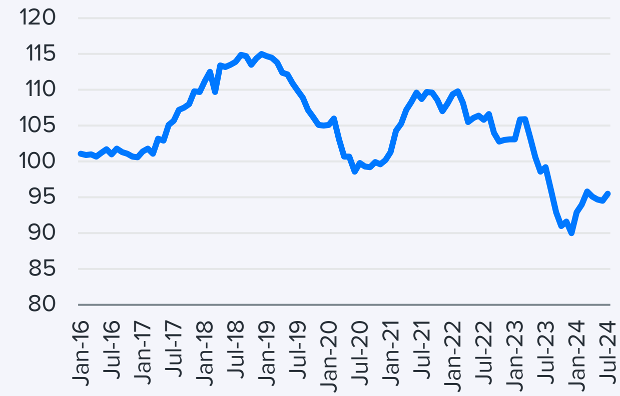
The profit warning issued by Kesla on September 19, 2024, which supplies some of the same customers as Componenta, indicates that demand, especially in the agricultural machinery sector, has remained sluggish, and at the same time that inventories in the distribution chain for these products are being reduced to a minimum before the end of the year. That is why we have taken a cautious stance on

Materials and electricity prices



*) pig iron FOB Brasilia, EUR/tn **) CAEF scrap monitoring 8/24, EUR/tn
***) Nord Pool Finland, EUR/MWh

European foundry industry sentiment (FISI)



Source: Bloomberg, CAEF, Nord Pool, CAEF
Estimates Nasdaq and Inderes

Estimates 4/5

demand volumes in Componenta's agricultural and forestry machinery sector in H2'24 and we expect them to continue to decline year-on-year in line with H1'24.

The consolidation of the acquired businesses of Fortaco from the beginning of Q4'24 is estimated to add +3.8 MEUR (+8%) to H2'24 revenue. Taking this and the above into account, our expectation for the group's H2'24 revenue growth is +27% year-on-year. Revenue for the full year 2024 will thus amount to 103 MEUR (+1% y/y).

Our estimate for H2'24 EBITDA is 4.2 MEUR (H2'23: -0.1 MEUR) and the corresponding margin is 8.0% (-0.3%). The already relatively high EBITDA margin in Q2'24 (7.8%) and the volume growth support the margins, but the aforementioned volume weakness in the agricultural and forestry machinery sector and the integration of Fortaco significantly increase the earnings uncertainty in H2'24. Our EBITDA forecast for the full year 2024 is 6.1 MEUR, 17% higher than in 2023. Overall, the conditions of Componenta's 2024 guidance are met in our forecasts, but only by a small margin in terms of revenue. On the positive side, at least some of the risks associated with the development in H2'24 (such as customer destocking before the turn of the year) are of a temporary nature. Our expectation for H2'24 EBIT is 1.5 MEUR (H2'23: -3.0 MEUR) with a margin of 2.8% (-7.1%).

Our estimate for Componenta's full-year net financing expenses is -2.3 MEUR, compared to -1.2 MEUR in H1'24 and -2.2 MEUR for the full year 2023. The increase in net debt more than offset the relatively slow realization of the effect of lower interest rates. In line with the underlying assumptions outlined above, we expect the group to recognize no taxes in its income statement in 2024. Our adjusted EPS forecast (EUR -0.17) is an improvement from the 2023 adjusted EPS of EUR -0.28, but obviously not satisfactory. The reported EPS for 2023 (EUR 0.16) was supported by an impairment reversal of 4.2 MEUR. We do not expect the Board to propose a dividend for 2024.

Estimates for 2025-2027

In line with the background assumptions presented earlier, we expect Componenta's revenue to grow by around +21% year-on-year in 2025 and +14% year-on-year in 2026. Thereafter, growth slows to +5% year-on-year in 2027. 58% of the increase in 2025 and 38% of the increase in 2026 is explained by the impact of the Fortaco acquisition and the large 50 MEUR defense order. Without the mentioned factors

Estimate revisions MEUR / EUR	2024e Old	2024e New	Change %	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %
Revenue	107	103	-3%	113	124	10%	128	142	11%
EBITDA	8.5	6.1	-28%	10.4	11.2	7%	12.7	13.9	9%
EBIT (exc. NRIs)	3.0	0.7	-78%	4.7	5.1	9%	7.1	7.7	9%
EBIT	3.0	0.7	-78%	4.7	5.1	9%	7.1	7.7	9%
PTP	0.6	-1.7	-362%	3.1	3.3	6%	5.7	6.1	7%
EPS (excl. NRIs)	0.07	-0.17	-362%	0.32	0.34	6%	0.59	0.63	7%
DPS	0.00	0.00		0.14	0.14	0%	0.25	0.26	4%

Source: Inderes

Estimates 5/5

we forecast growth of +9% year-on-year for both 2025 and 2026. Of these, the growth in 2025 is explained by the weakness of the reference year 2024, and the growth in 2026 is explained by the expected recovery of the customer market in general. The projected fall in raw material and electricity prices has a marginal impact of -1% to -2% year-on-year on these growth projections.

The expected changes in Componenta's cost structure in 2025-2027 are structural and volume-based. As a result of the Fortaco acquisition, we estimate that the share of materials and supplies in revenue will increase from 41.6% in 2024 to 43.2% in 2027 (+1.5pp), but at the same time, improved capacity utilization will reduce the share of personnel costs in revenue from 30.5% in 2024 to 26.9% in 2027 (-3.6pp). In addition, operating leverage implies that the combined ratio of other operating expenses and depreciation to revenue decreases from 21.4% in 2024 to 18.7% in 2027 (-2.7pp). Under these assumptions, Componenta's EBIT margin will improve significantly (2024e 0.6%; 2025e 4.1%; 2026e 5.4% and 2027e: 5.6%).

Decreasing net debt and more favorable credit terms keep net financial expenses on a downward trend (2025e -1.8 MEUR; 2026e -1.6 MEUR and 2027e -1.3 MEUR). The corporate tax rate rises to 10% only after the explicit forecast period in 2028 and to the normal level of 20% from 2029. On this basis, the EPS growth rate between 2025 and 2027 is very fast (2024e: EUR -0.17; 2025e: EUR 0.34; 2026e: EUR 0.63 and 2027e: EUR 0.73). However, the starting level is low.

Estimate revisions for 2024-2026

The table on the previous page shows our estimate revisions for 2024-2026. The main reasons for the changes in our revenue forecast are the Fortaco deal, the sluggish market for agricultural and forestry machinery in H2'24, and clarifications regarding the timing of the realization of revenue from the large defense deal (50 MEUR). In our forecasts, the Fortaco acquisition will weigh on Componenta's EBIT margin by -0.3 to -0.2 percentage points in 2025-2026. We expect the large defense contract to have normal margins.

Cash flow, balance sheet and dividends

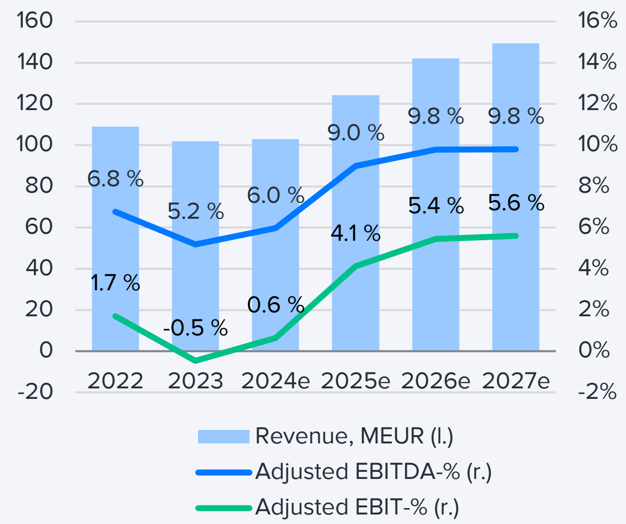
Componenta's profit growth, the very moderate development of net working capital, the low level of taxes to be paid and the fact that investments only slightly exceed depreciation keep cash flow strong. We forecast an operating cash flow of around 12-14 MEUR and a cash flow after investments of 6-8 MEUR for 2025-2027. We expect net debt to decrease to only 3 MEUR in 2027.

The earnings development described above and the strengthening of the balance sheet will allow a dividend to be paid from 2025 onwards. We expect dividends of EUR 0.14, EUR 0.26 and EUR 0.35 per share for 2025, 2026 and 2027, respectively. The dividend payout ratio is 41-48% for these years.

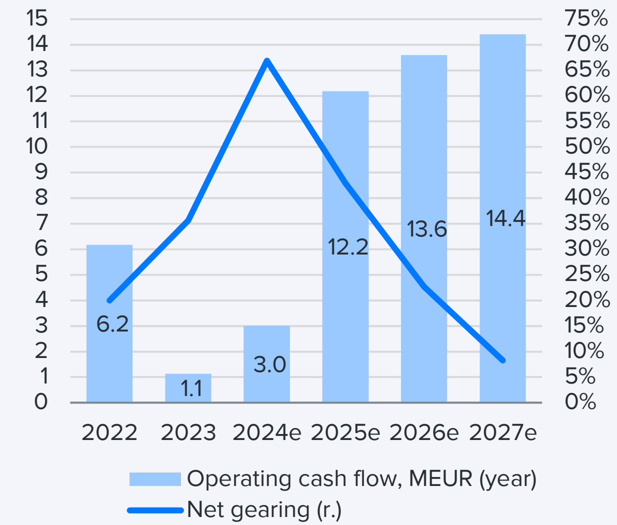
Long term forecast

After the current forecast period 2028-2032, we expect Componenta's annual revenue growth to average +3.5%, with terminal growth of +2.5%. Our forecast for the same years is an average EBITDA margin of 8.2% and an average EBIT margin of 4.4%. Our terminal EBITDA margin assumption of 7.2% is better than the 2020-2024e median (5.7%), but we find it plausible given Componenta's improved cost flexibility and a more challenging market than average in the comparison period.

Revenue and profitability estimates



Balance sheet starts to strengthen



Source: Componenta, estimates by Inderes

Income statement

Income statement	2021	2022	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**87.3**	**109**	**102**	**23.6**	**26.4**	**24.8**	**28.2**	**103**	**124**	**142**	**149**
Group	87.3	109	102	23.6	26.4	24.8	28.2	103	124	142	149
EBITDA	**5.0**	**7.1**	**5.3**	**-0.2**	**2.1**	**1.9**	**2.3**	**6.1**	**11.2**	**13.9**	**14.6**
Depreciation	-4.9	-5.5	-1.5	-1.6	-1.2	-1.4	-1.4	-5.5	-6.1	-6.2	-6.3
EBIT (excl. NRI)	**-0.8**	**1.8**	**-0.5**	**-1.7**	**0.9**	**0.5**	**1.0**	**0.7**	**5.1**	**7.7**	**8.4**
EBIT	**0.0**	**1.6**	**3.8**	**-1.7**	**0.9**	**0.5**	**1.0**	**0.7**	**5.1**	**7.7**	**8.4**
Group	0.0	1.6	3.8	-1.7	0.9	0.5	1.0	0.7	5.1	7.7	8.4
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-0.4	-1.7	-2.2	-0.5	-0.6	-0.4	-0.7	-2.3	-1.8	-1.6	-1.3
PTP	**-0.4**	**-0.1**	**1.6**	**-2.3**	**0.3**	**0.1**	**0.2**	**-1.7**	**3.3**	**6.1**	**7.1**
Taxes	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**-0.4**	**0.1**	**1.5**	**-2.3**	**0.3**	**0.1**	**0.2**	**-1.7**	**3.3**	**6.1**	**7.1**
EPS (adj.)	**-0.13**	**0.03**	**-0.28**	**-0.23**	**0.03**	**0.01**	**0.02**	**-0.17**	**0.34**	**0.63**	**0.73**
EPS (rep.)	**-0.04**	**0.01**	**0.16**	**-0.23**	**0.03**	**0.01**	**0.02**	**-0.17**	**0.34**	**0.63**	**0.73**

Key figures	2021	2022	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	24.6 %	25.0 %	-6.7 %	-23.3 %	-10.4 %	24.3 %	30.3 %	1.2 %	20.6 %	14.4 %	5.1 %
Adjusted EBIT growth-%		-318.4 %	-126.8 %	-224.6 %	-18.7 %	-147.9 %	-149.7 %	-240.3 %	670.8 %	51.3 %	8.0 %
EBITDA-%	5.7 %	6.5 %	5.2 %	-0.6 %	7.8 %	7.7 %	8.3 %	6.0 %	9.0 %	9.8 %	9.8 %
Adjusted EBIT-%	-0.9 %	1.6 %	-0.5 %	-7.3 %	3.5 %	2.0 %	3.4 %	0.6 %	4.1 %	5.4 %	5.6 %
Net earnings-%	-0.5 %	0.1 %	1.5 %	-9.6 %	1.1 %	0.4 %	0.8 %	-1.6 %	2.6 %	4.3 %	4.7 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**32.8**	**36.6**	**38.7**	**38.7**	**38.7**
Goodwill	3.2	3.2	3.2	3.2	3.2
Intangible assets	2.0	2.0	2.1	2.2	2.2
Tangible assets	27.0	31.0	32.9	32.8	32.8
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.5	0.4	0.5	0.5	0.5
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**25.8**	**20.7**	**23.8**	**27.1**	**31.0**
Inventories	13.3	12.6	14.4	15.8	18.0
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	3.9	2.8	4.2	5.1	5.8
Cash and equivalents	8.6	5.3	5.2	6.2	7.1
Balance sheet total	**58.6**	**57.3**	**62.4**	**65.8**	**69.7**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**23.9**	**25.6**	**23.9**	**27.2**	**31.9**
Share capital	1.0	1.0	1.0	1.0	1.0
Retained earnings	3.2	4.8	3.1	6.4	11.2
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	19.7	19.8	19.8	19.8	19.8
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**10.9**	**12.3**	**17.1**	**14.7**	**12.0**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.4	0.3	0.4	0.4	0.4
Korolliset velat	9.9	11.3	16.2	13.7	11.1
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.7	0.6	0.6	0.6	0.6
Current liabilities	**23.8**	**19.5**	**21.4**	**23.9**	**25.7**
Korolliset velat	3.6	3.1	5.0	4.2	3.3
Payables	20.2	16.4	16.5	19.8	22.5
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**58.6**	**57.3**	**62.4**	**65.8**	**69.7**

Valuation and recommendation 1/3

Basis of the valuation

We examine the valuation of Componenta's share from three perspectives, namely 1) the total shareholder return model, which takes into account earnings growth, dividend yield and relative valuation level; 2) the earnings-based valuation multiples (particularly P/E and EV/EBIT) and their relation to the peer group; and 3) the DCF model. Of these methods, we give the greatest weight to TSR expectation based on estimates for the coming years and its relation to the stock's risk. The results of the other methods mentioned above support our overall view of the fair value of a stock, on which we base our view.

Factors affecting the acceptable level of valuation

In our view, Componenta's acceptable valuation level is positively affected by the following factors:

+ **Strong ties with strong customers.** Almost all large, international machineries with manufacturing operations in Finland are Componenta's customers, and many of these customer relationships have lasted for decades. Customers are very demanding, which is a testament to Componenta's service capability. At the same time, customers' threshold to switch from Componenta to another supplier is high.

+ **Increased cost flexibility safeguards profitability.** Componenta's share of fixed costs in total costs has clearly decreased in recent years. In addition, the company has indexed both material and energy costs in the pricing of its supply contracts, so that sales prices react to these costs with a lag of only one quarter.

+ **Abundant cash flow leads towards zero debt.** Componenta's improving profitability and low net working capital keep operating cash flow close to EBITDA. This, combined with low investment needs, is expected to bring net debt to a very low level as early as 2027. Low debt levels not only provide a safety net in a downturn, but also allows for significant additional leverage, e.g., for acquisitions.

The following factors reduce the acceptable valuation level:

- **The target market is cyclical.** Componenta's customer industries represent the investment goods industry, which is cyclical in nature.

- **Individual customer risks are high.** Componenta's largest single customer accounted for 23% of group revenue in H1'24.

- **Underlying profitability is quite low.** Componenta's EBIT margin is quite low. The result can easily turn into a loss if demand falls rapidly.

- **The liquidity of the stock is thin.** This is causing at least some institutional investors to shy away from the stock.

Valuation	2024e	2025e	2026e
Share price	2.83	2.83	2.83
Number of shares, millions	9.71	9.71	9.71
Market cap	27	27	27
EV	43	39	35
P/E (adj.)	>100	8.4	4.5
P/E	>100	8.4	4.5
P/B	1.2	1.0	0.9
P/S	0.3	0.2	0.2
EV/Sales	0.4	0.3	0.2
EV/EBITDA	7.1	3.5	2.5
EV/EBIT (adj.)	65.5	7.7	4.5
Payout ratio (%)	0.0 %	41.4 %	41.2 %
Dividend yield-%	0.0 %	4.9 %	9.2 %

Source: Inderes

Valuation and recommendation 2/3

Peer group valuation and Componenta's position

As mentioned above, there are few competitors with the same or similar offerings as Componenta and, of course, even fewer that are listed on the stock exchange. This makes it challenging to find a suitable peer group. We have selected the members of the group on three bases, namely 1) small domestic listed machineries (Norrhydro and Kesla); 2) companies operating in the foundry and/or machining sector (Castings Plc, Georg Fischer AG and ElringKlinger AG) and 3) some of Componenta's presumed customers (Ponsse, Wärtsilä, AGCO). The peer group is heterogeneous, but as a whole we see many common business drivers with Componenta. For multiples, we weight P/E and EV/EBIT. EV/EBITDA is less suitable as Componenta's depreciation as a percentage of revenue is clearly higher than the average of its peers.

The median P/E ratios for the peer group in 2024 and 2025 are 17x and 15x, and the median EV/EBIT ratios are 15x and 12x, respectively. Of the companies in the peer group, Castings Plc has a reasonably suitable profile, although it is almost entirely dedicated to the automotive industry and focused on foundry activities. However, the company's profitability has been good: the median EBITDA margin for 2019-2023 was 12.7%. Castings Plc's forward-looking P/E has averaged 12x and EV/EBIT 7x, but now the corresponding figures are 17x and 11x.

Acceptable valuation multiples for Componenta

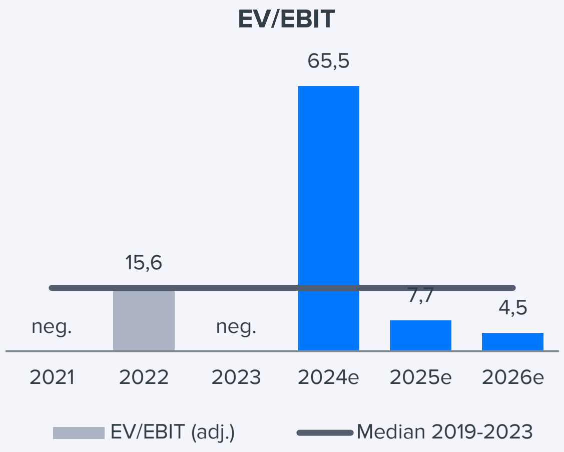
Taking into account Componenta's risk profile, we believe that the company's shares should be valued at a discount of 20-30% to the median of its peers at appropriate valuation multiples. The discount is significant, but we believe that caution is warranted given the above-mentioned factors affecting the accepted valuation level and Componenta's much smaller size and weaker relative profitability (EBIT margin) than the peer median. At the midpoint of our proposed discount, Componenta's acceptable P/E ratio in 2025 would be around 11x and EV/EBIT ratio around 9x.

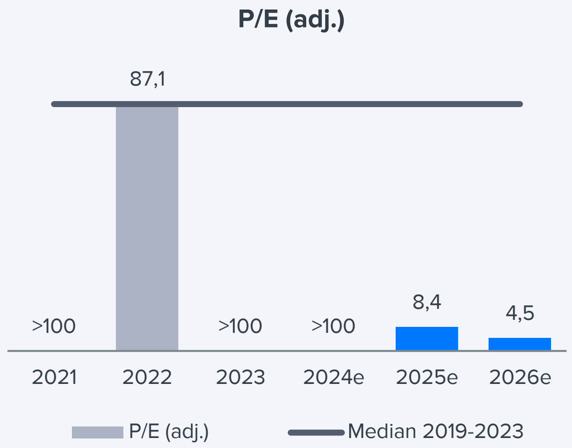
Multiple-based valuation is low

Componenta's current 2025 P/E ratio (8x) is 45% discounted relative to the median of its peers. Similarly, the 2025 EV/EBIT multiple (8x) is -34% below the peer group median. The discount exceeds what we considered justified above, and Componenta's share is undervalued relative to its peers.

The risk-adjusted expected return is attractive

The total expected return on Componenta's share (upside potential based on earnings growth and expected change in valuation multiples plus dividend yield) exceeds the required return by the measures we use. The main reason for this is that the LTM performance level (H2'23-H1'24), which we use as a baseline, was still well below our expectations for 2025. The adjusted EPS for H2'23-H1'24 was EUR -0.63, while our expectation for the full year 2025 is EUR 0.34. Similarly, the adjusted EBIT for H2'23-H1'24 was -3.8 MEUR, while our guidance for the full year is 5.1 MEUR. Profit growth is therefore very fast, but the momentum is not calculable due to the negative starting figures.





Valuation and recommendation 3/3

Assuming the EBIT or EPS growth we expect for 2025, and setting the 2025 EV/EBIT and P/E multiples at the acceptable levels presented earlier (9x and 11x, respectively), we arrive at a total return of 19%-21% p.a. The return consists of a share price potential of 16-18% and a dividend yield of 3%. The expected return exceeds the 12% return on equity requirement, so the risk-adjusted return is attractive when calculated in this way.

DCF model indicates big upside potential

The DCF model discounts estimated future free cash flows (including the terminal assumption) to the present moment and current net debt is subtracted from this value. The weakness of the model is its sensitivity to the terminal growth and profitability estimates so the result should be interpreted with caution.

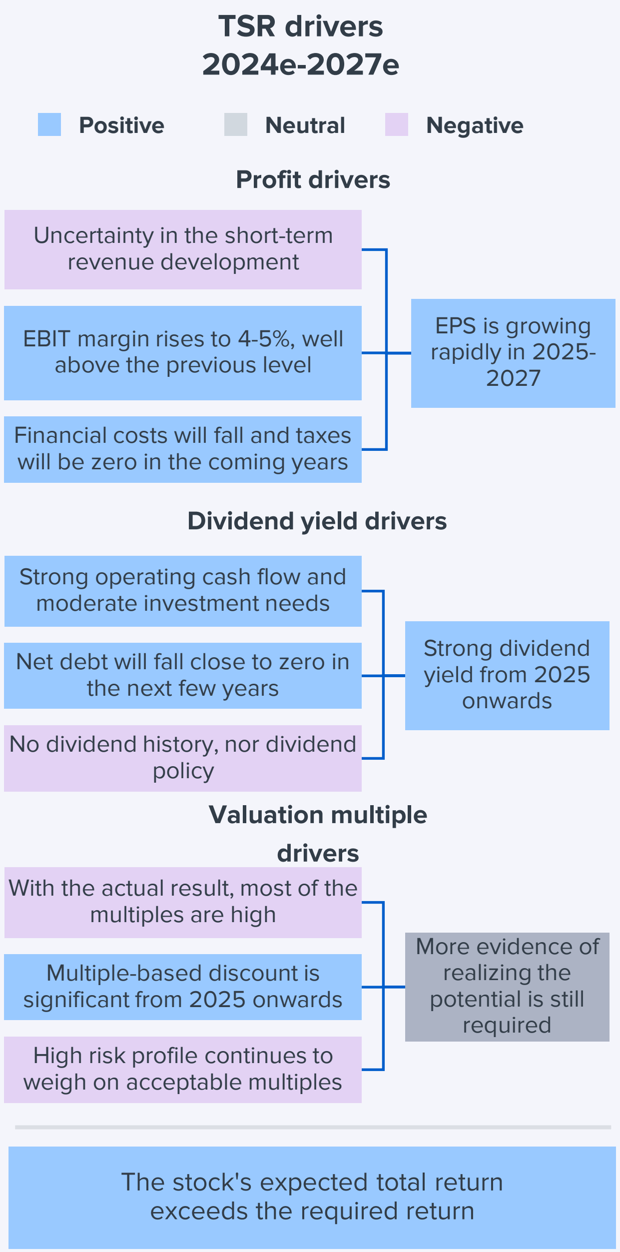
We expect Componenta's terminal revenue growth rate to be 2.5% and EBIT margin to be 3.5%. The weighted average cost of capital (WACC) we use in the DCF model is 10.4%, plus a liquidity premium of 1.00% for the stock. Cost of equity is 12.1%. Both figures are based on a 2.5% risk-free interest and a 4.75% market risk premium.

The DCF model indicates Componenta a share value of EUR 4.5, with an upside of 57%. Despite the risks of the DCF model, we believe the upside is significant. A more detailed calculation can be found in the appendices.

Investment view

Based on our forecasts and the valuation multiples we accept for the company for the next few years, as well as the DCF, we now estimate that the fair value of Compnenta's stock is EUR 3.5-3.9 per share. We maintain our EUR 3.60 target price and Accumulate recommendation on the share, as our earnings forecast changes for 2025 and 2026 are relatively small. Although the upside to our price target is significant (+27%), the risk-adjusted expected return on the stock is not high enough for a Buy recommendation. At our target price, the stock's P/E ratio in 2025 is 11x and the EV/EBIT ratio for the same year is 9x, levels we consider acceptable. The main uncertainty at present relates to the volume development of Componenta's customers in the agricultural and forestry machinery sector at the end of the year and thus also to Componenta's figures for 2024. We believe that some of the risks are temporary and that investors should keep an eye on the expected developments in 2025-2026. In any case, the upside potential of the stock at the current price is obvious and our estimates have room for minor disappointments.

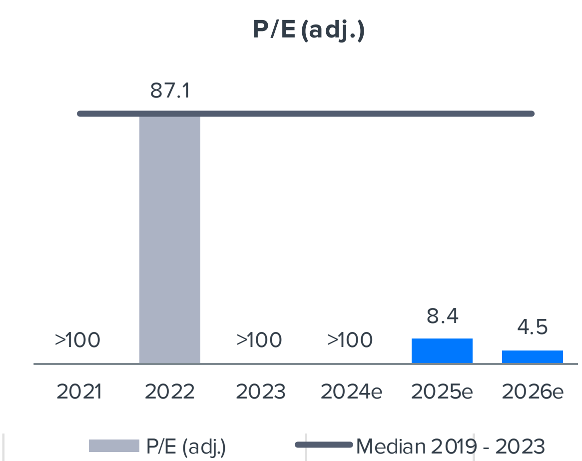
The realization of the upside is conditional on 1) the recovery of Componenta's target markets from 2025 onwards; 2) the successful integration of Fortaco and the achievement of a profit level close to the group average; and 3) the expected impact of increasing volumes on profitability. Achieving the projected performance would lower the risk profile of the stock and allow for higher valuation multiples than today.

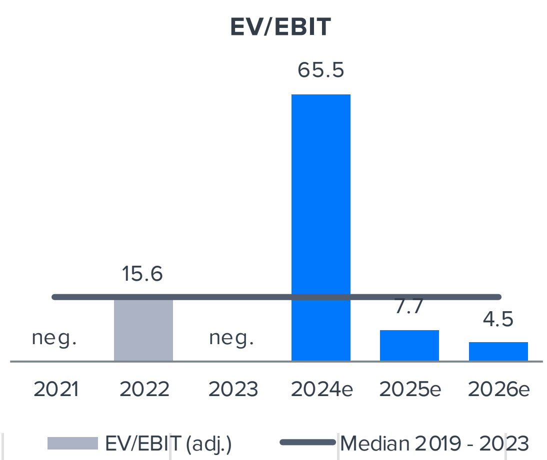


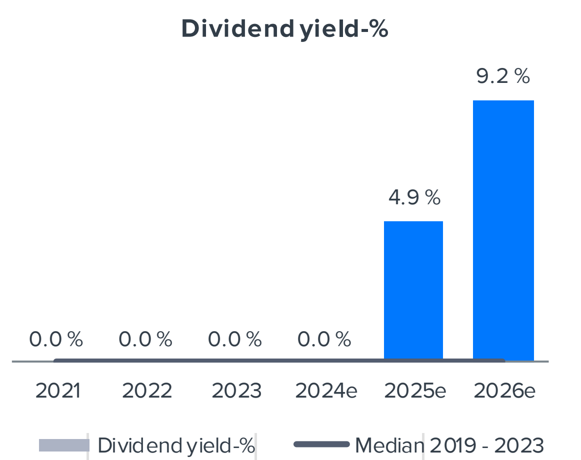
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price		3.16	3.34	2.34	2.35	**2.83**	**2.83**	**2.83**	**2.83**
Number of shares, millions	237.3	9.49	9.52	9.71	9.71	**9.71**	**9.71**	**9.71**	**9.71**
Market cap		30	32	23	23	**27**	**27**	**27**	**27**
EV	8.7	27	39	28	32	**43**	**39**	**35**	**31**
P/E (adj.)	>100	>100	>100	87.1	>100	**>100**	**8.4**	**4.5**	**3.9**
P/E	>100	>100	>100	>100	14.7	**>100**	**8.4**	**4.5**	**3.9**
P/B	0.0	1.3	1.4	1.0	0.9	**1.2**	**1.0**	**0.9**	**0.8**
P/S	0.0	0.4	0.4	0.2	0.2	**0.3**	**0.2**	**0.2**	**0.2**
EV/Sales	0.2	0.4	0.4	0.3	0.3	**0.4**	**0.3**	**0.2**	**0.2**
EV/EBITDA	5.5	7.3	7.8	3.9	6.0	**7.1**	**3.5**	**2.5**	**2.1**
EV/EBIT (adj.)	neg.	neg.	neg.	15.6	neg.	**65.5**	**7.7**	**4.5**	**3.6**
Payout ratio (%)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**41.4 %**	**41.2 %**	**48.0 %**
Dividend yield-%		0.0 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**4.9 %**	**9.2 %**	**12.4 %**

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**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Norrhydro	19	19		9.7	9.7	6.4	0.7	0.5		24.9			2.3
Castings plc	157	118	4.9	11.0	3.5	5.3	0.4	0.6	8.3	17.5	5.9	6.2	
Georg Fischer	5444	7678	15.2	13.5	11.6	10.4	1.5	1.4	17.3	14.6	2.2	2.4	42.3
ElringKlinger	281	724	8.2	7.1	3.6	3.2	0.4	0.4	6.4	5.1	4.5	5.9	0.3
Kesla	13	25	25.4	12.7	8.5	6.3	0.6	0.5	26.7	10.4	1.9	4.3	1.0
Ponsse	599	648	22.0	12.3	10.2	7.6	0.9	0.8	53.5	15.9	2.2	3.1	1.9
Wärtsilä	11781	11543	16.9	14.7	13.8	12.5	1.8	1.6	24.6	21.2	2.1	2.4	4.7
AGCO	6354	9280	9.5	10.3	7.4	7.8	0.8	0.9	11.8	12.7	3.9	2.5	1.6
Componenta Oyj (Inderes)	**27**	**43**	**65.5**	**7.7**	**7.1**	**3.5**	**0.4**	**0.3**	**n.a.**	**8.4**	**0.0**	**4.9**	**1.2**
Average			**14.6**	**11.4**	**8.5**	**7.4**	**0.9**	**0.8**	**21.2**	**15.3**	**3.2**	**3.8**	**7.7**
Median			**15.2**	**11.7**	**9.1**	**7.0**	**0.8**	**0.7**	**17.3**	**15.2**	**2.2**	**3.1**	**1.9**
Diff-% to median			***330%***	***-34%***	***-22%***	***-50%***	***-44%***	***-55%***		***-45%***	***-100%***	***61%***	***-38%***

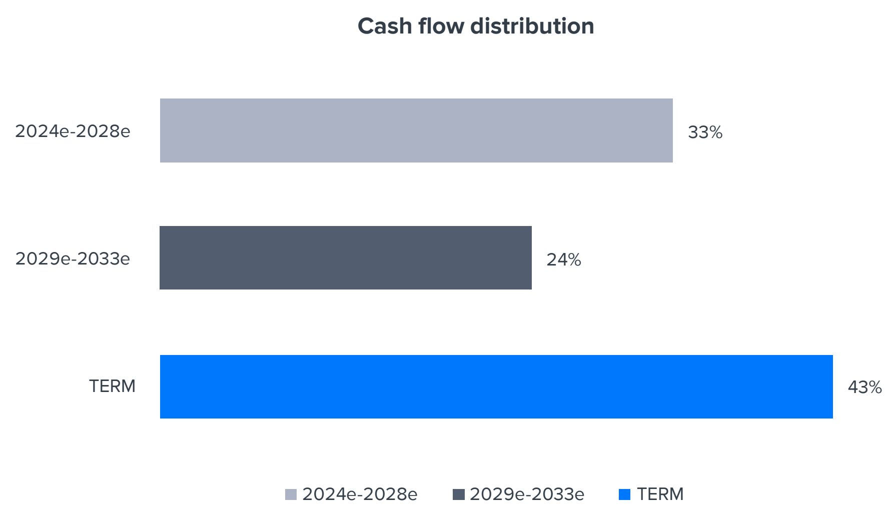
Source: Refinitiv / Inderes

DCF calculation

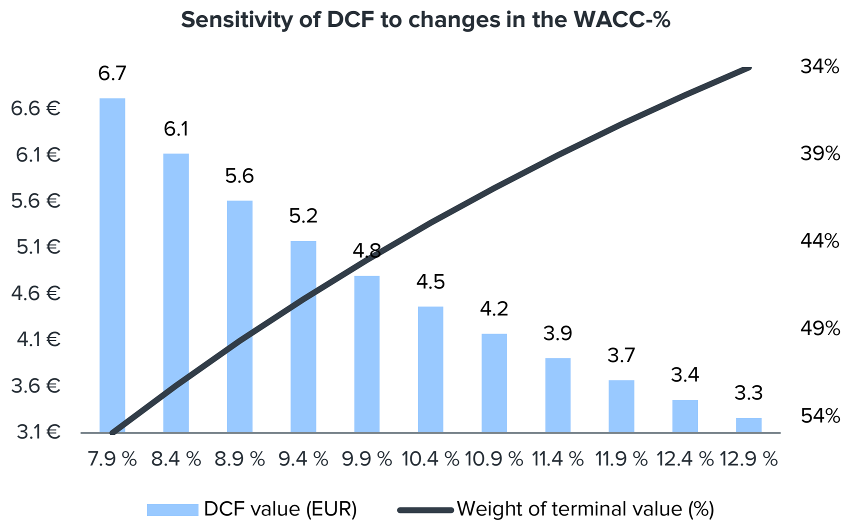
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-6.7 %	1.2 %	20.6 %	14.4 %	5.1 %	4.5 %	4.1 %	3.7 %	3.3 %	2.9 %	2.5 %	2.5 %
EBIT-%	3.7 %	0.6 %	4.1 %	5.4 %	5.6 %	5.3 %	4.9 %	4.6 %	4.3 %	3.8 %	3.5 %	3.5 %
EBIT (operating profit)	**3.8**	**0.7**	**5.1**	**7.7**	**8.4**	**8.2**	**8.0**	**7.8**	**7.5**	**6.8**	**6.4**	
+ Depreciation	1.5	5.5	6.1	6.2	6.3	6.3	6.3	6.4	6.5	6.6	6.7	
- Paid taxes	0.0	0.0	0.0	0.0	0.0	-0.8	-1.4	-1.4	-1.4	-1.2	-1.2	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	
+ 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	-2.0	-3.1	1.0	-0.3	-0.2	-0.2	-0.2	-0.2	-0.3	-0.4	-0.3	
Operating cash flow	**3.3**	**3.0**	**12.2**	**13.6**	**14.4**	**13.4**	**12.5**	**12.4**	**12.2**	**11.6**	**11.6**	
+ Change in other long-term liabilities	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-5.4	-7.5	-6.1	-6.2	-6.4	-6.6	-6.7	-6.9	-7.1	-7.3	-7.3	
Free operating cash flow	**-2.2**	**-4.5**	**6.1**	**7.4**	**8.0**	**6.9**	**5.8**	**5.5**	**5.1**	**4.3**	**4.3**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-2.2	-4.5	6.1	7.4	8.0	6.9	5.8	5.5	5.1	4.3	4.3	56.4
Discounted FCFF		**-4.4**	**5.4**	**5.9**	**5.8**	**4.5**	**3.4**	**2.9**	**2.5**	**1.9**	**1.7**	**22.6**
Sum of FCFF present value		52.4	56.8	51.4	45.5	39.7	35.1	31.7	28.8	26.3	24.3	22.6
Enterprise value DCF		**52.4**										
- Interest bearing debt		-14.4										
+ Cash and cash equivalents		5.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**43.3**										
Equity value DCF per share		**4.5**										

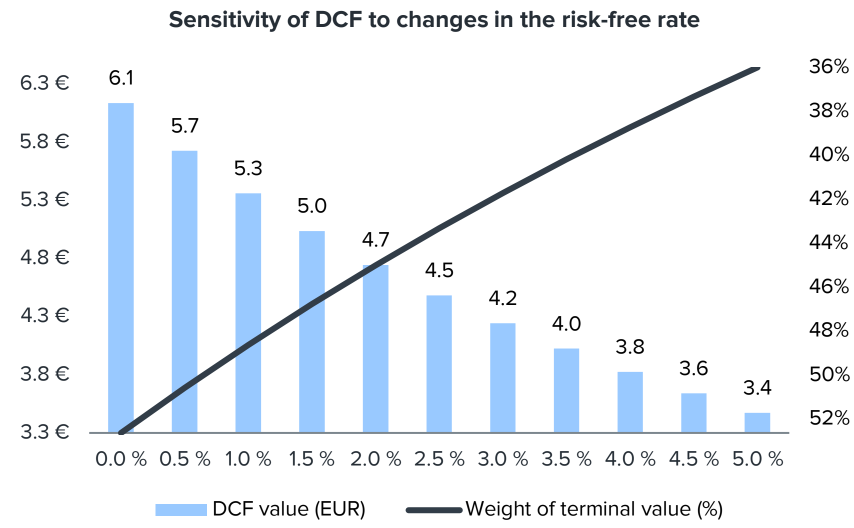
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	4.5 %
Equity Beta	1.80
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	**12.1 %**
Weighted average cost of capital (WACC)	**10.4 %**

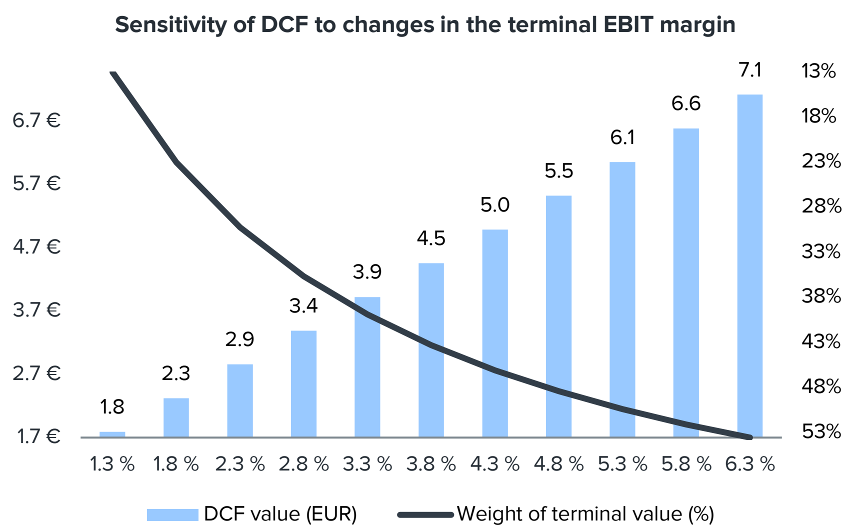
Source: Inderes

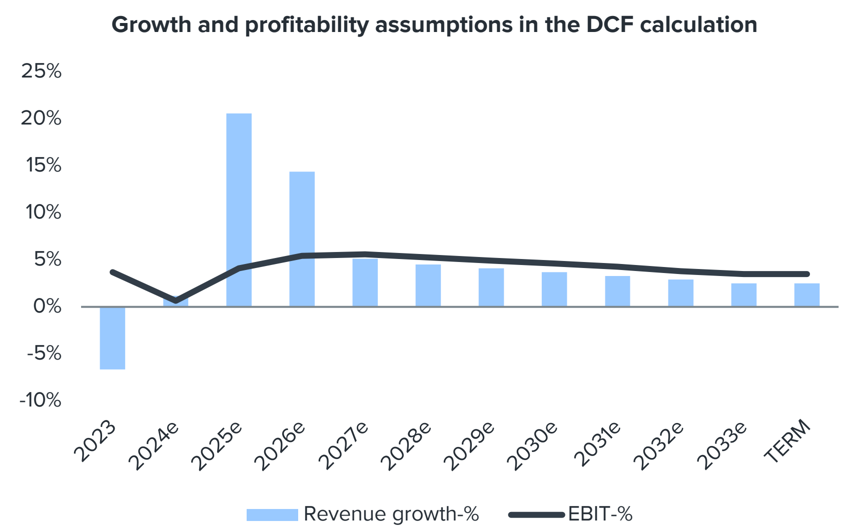


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	87.3	109.1	101.8	**103.0**	**124.2**
EBITDA	5.0	7.1	5.3	**6.1**	**11.2**
EBIT	0.0	1.6	3.8	**0.7**	**5.1**
PTP	-0.4	-0.1	1.6	**-1.7**	**3.3**
Net Income	-0.4	0.1	1.5	**-1.7**	**3.3**
Extraordinary items	0.8	-0.2	4.2	**0.0**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	55.5	58.6	57.3	**62.4**	**65.8**
Equity capital	23.5	23.9	25.6	**23.9**	**27.2**
Goodwill	3.2	3.2	3.2	**3.2**	**3.2**
Net debt	6.7	4.8	9.1	**16.0**	**11.7**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	5.0	7.1	5.3	**6.1**	**11.2**
Change in working capital	-2.3	0.9	-2.0	**-3.1**	**1.0**
Operating cash flow	2.6	7.6	3.3	**3.0**	**12.2**
CAPEX	-2.0	-4.4	-5.4	**-7.5**	**-6.1**
Free cash flow	-8.9	2.8	-2.2	**-4.5**	**6.1**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	0.4	0.3	0.3	**0.4**	**0.3**
EV/EBITDA	7.8	3.9	6.0	**7.1**	**3.5**
EV/EBIT (adj.)	neg.	15.6	neg.	**65.5**	**7.7**
P/E (adj.)	>100	87.1	>100	**>100**	**8.4**
P/B	1.4	1.0	0.9	**1.2**	**1.0**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**4.9 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	-0.04	0.01	0.16	**-0.17**	**0.34**
EPS (adj.)	-0.13	0.03	-0.28	**-0.17**	**0.34**
OCF / share	0.27	0.78	0.34	**0.31**	**1.25**
FCF / share	-0.93	0.29	-0.23	**-0.47**	**0.63**
Book value / share	2.46	2.46	2.63	**2.46**	**2.80**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.14**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	25%	25%	-7%	**1%**	**21%**
EBITDA growth-%	32%	43%	-26%	**16%**	**82%**
EBIT (adj.) growth-%	-72%	-318%	-127%	**-240%**	**671%**
EPS (adj.) growth-%	-70%	-121%	-1130%	**-38%**	**-296%**
EBITDA-%	5.7 %	6.5 %	5.2 %	**6.0 %**	**9.0 %**
EBIT (adj.)-%	-0.9 %	1.6 %	-0.5 %	**0.6 %**	**4.1 %**
EBIT-%	0.0 %	1.4 %	3.7 %	**0.6 %**	**4.1 %**
ROE-%	-1.7 %	0.3 %	6.3 %	**-6.8 %**	**12.9 %**
ROI-%	3.2 %	4.3 %	9.9 %	**1.7 %**	**11.6 %**
Equity ratio	42.3 %	40.8 %	44.6 %	**38.2 %**	**41.3 %**
Gearing	28.6 %	20.2 %	35.6 %	**66.9 %**	**42.9 %**

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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
9/19/2023	Accumulate	3.20 €	2.73 €
9/27/2023	Accumulate	3.20 €	2.90 €
11/6/2023	Accumulate	3.00 €	2.55 €
1/15/2024	Buy	3.00 €	2.27 €
3/3/2024	Buy	3.00 €	2.32 €
5/7/2024	Buy	2.80 €	2.31 €
6/6/2024	Accumulate	3.60 €	3.30 €
7/23/2024	Accumulate	3.60 €	3.04 €
9/24/2024	Accumulate	3.60 €	2.83 €

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