

# Kreate

## Company report

11/28/2023



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✓ Inderes corporate customer

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# Not the new normal

Infrastructure builder Kreate has been one of the fastest growing and also one of the most profitable companies in its sector. The growth has been supported by the company's expertise in demanding infrastructure construction projects, the successful implementation of which has created a good market position for the company in its own specialized field. However, above-market growth has taken its toll as profitability has been eroded by rising costs (materials, labor, wages) eating into project margins. However, we believe that current profitability reflects the bottom of the cycle rather than the new normal. With a combination of normalizing earnings and a moderate valuation, we continue to see the risk/return ratio of the Kreate share as good. We reiterate our Accumulate recommendation, revising our target price to EUR 7.30 (was 7.00).

## Leading Finnish infrastructure builder

Kreate is a company specializing in demanding infrastructure construction, with services divided between transport infrastructure construction and structural engineering. Transport infrastructure construction includes road, street and railway construction. Structural engineering consists of bridge construction and various types of foundation construction. Furthermore, Kreate offers services related to the circular economy. Kreate's revenue has grown strongly over the last five years. Annual growth has averaged 14% (CAGR 2017-2022), a much stronger performance for the sector (CAGR 2017-2022: +5.5%). The company's profitability was on an upward trend until 2019, but recent cost increases have led to a decline in profitability. However, over the last four years, the EBIT margin has averaged 4.3%, which is well ahead of competitors in the sector (2019-22 EBIT avg: 2.5%). The potential of the business is also reflected in the return on capital employed, which has averaged 18% over the last four years (2019-22).

## Growth targets ahead of schedule, profitability the focus on the next strategy period

Kreate is targeting a revenue of EUR 300 million by 2024 and is on track to achieve this already in 2023 (2023e: 326 MEUR). Growth has been strong, reflecting the strong demand potential of the company even in a more challenging market. However, after a period of strong growth, we expect revenue to remain below 2023 in the coming years (2025e: 312 MEUR). In the medium term, Kreate also aims to achieve an EBITA margin of over 5%, but this is still very far away (2023e: 2.2%). We estimate that the company's operational performance has been good (projects progressing well), but unprecedented cost increases (material, labor) have pushed long-term projects to low margins. There has already been a clear easing in costs and low-cost projects should come to an end this year. In the coming years, we expect profitability to return to a more normal level for Kreate (EBITA-% 2025e: 3.5%). Reaching these targets would require a clear reduction in costs and an increase in efficiency, as well as a change in the structure of the order backlog (a reduction in the share of low-margin alliance projects).

## Valuation is attractive over a weak earnings cycle

Kreate's result will be weak in 2023 and valuation will become challenging (2023e: EV/EBIT: 13x, P/E: 17x). However, given the lower-than-normal level of earnings, our eyes are already on the valuation of the coming years when earnings pick up again. The valuation for 2024 falls to a moderate level (2024e: EV/EBIT: 10x, P/E: 11x), especially given that Kreate's earnings level is, in our view, below the sustainable earnings level (over-cycle EBITA-% +4%). Relying on the mid-point of our range (EV/EBIT: 10-12x, P/E: 10-12x), the stock has an upside of 5-10%. In addition to the upside, the 5% dividend yield supports the expected return. The DCF also indicates a much higher value (EUR 10.5).

## Recommendation

**Accumulate**

(previous Accumulate)

**EUR 7.30**

(previous EUR 7.00)

**Share price:**

6.84



## Key figures

	2022	2023e	2024e	2025e
<b>Revenue</b>	273.9	326.4	305.5	312.2
<b>growth-%</b>	15%	19%	-6%	2%
<b>EBITA (adj.)</b>	8.8	7.3	9.6	11.2
<b>EBITA-% (adj.)</b>	3.2 %	2.2 %	3.1 %	3.6 %
<b>Net Income</b>	5.8	3.6	5.6	7.2
<b>EPS (adj.)</b>	0.64	0.40	0.63	0.80

<b>P/E (adj.)</b>	12.7	17.1	10.9	8.6
<b>P/B</b>	1.7	1.5	1.4	1.3
<b>Dividend yield-%</b>	5.7 %	4.4 %	5.1 %	5.8 %
<b>EV/EBIT (adj.)</b>	12.3	13.4	9.9	8.0
<b>EV/EBITDA</b>	7.8	7.3	6.1	5.2
<b>EV/S</b>	0.4	0.3	0.3	0.3

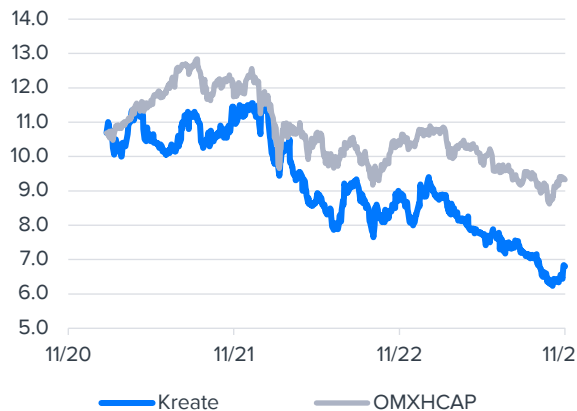
Source: Inderes

## Guidance

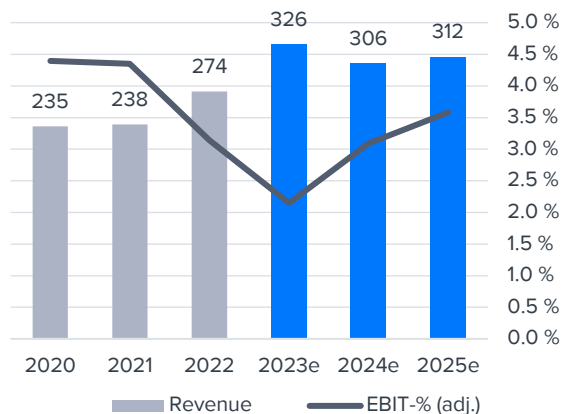
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Revenue estimated at EUR 300-325 million (2022: 273.9 MEUR) and EBITA at EUR 7.0-8.5 million (2022: 8.8 MEUR) for 2023.

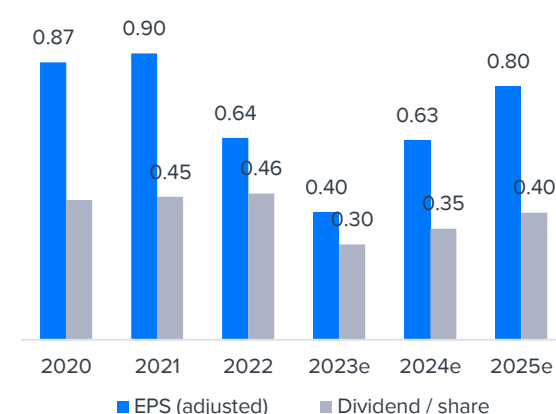
## Share price



## Revenue and EBIT-%



## EPS and dividend



## Value drivers

- Strong above-market growth
- Strong potential for return on capital
- Infrastructure construction is more cycle-resilient than rest of the sector
- Competitive advantage through specialized expertise in demanding projects
- Urbanization, dense construction, sustainable development, renovation debt, infrastructure decommissioning underpin market growth prospects
- M&A for expansion at home and abroad



## Risk factors

- The sector is partly dependent on the business cycle, especially on the private side
- Stagnation of public investment
- The worsening financial situation of municipalities
- Managing growth
- Sharing and managing the risks of large projects
- Maintaining expertise and adequacy of staff incentives
- Price competition
- Cost pressures and material availability challenges

Valuation	2023e	2024e	2025e
Share price	6.84	6.84	6.84
Market cap	61	61	61
EV	94	93	90
P/E (adj.)	17.1	10.9	8.6
P/B	1.5	1.4	1.3
EV/Sales	0.3	0.3	0.3
EV/EBITDA	7.3	6.1	5.2
EV/EBIT (adj.)	13.4	9.9	8.0
Payout ratio (%)	74.9 %	55.9 %	50.2 %
Dividend yield-%	4.4 %	5.1 %	5.8 %

Source: Inderes

# Kreate in brief

Kreate is a Finnish company focused on demanding infrastructure construction, providing services related to transport infrastructure construction, structural engineering and the circular economy.

## 2015

Kreate was founded: Fin-Seula Oy, Insinööritoimisto Seppo Rantala Oy and Kesälahden Maansiirto Oy merged

## 2021

IPO

## 323 MEUR (+21 % y-o-y)

Revenue 2023 Q3 (LTM)

## 7.4 MEUR (2.3% of revenue)

EBITA 2023 Q3 LTM

## 222 MEUR (-22 % y-o-y)

Order backlog 2023 Q3

## 499

Personnel on average at the end of Q3'23

## 8% (2022: 12.5%)

Return on capital employed Q3'23

### 2017-2018

- Positive economic developments supported growth
- Strong growth in both revenue and profit
- Processes and project activities developed in line with Strategy 2020
- Specialist projects play an important role

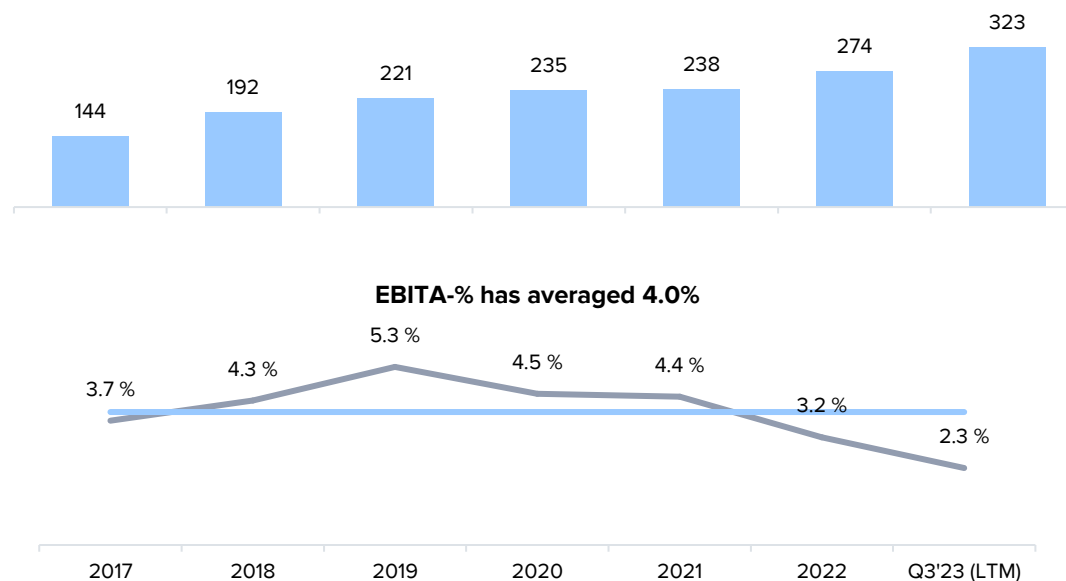
### 2019-2021

- COVID did not stop Kreate, but slowed things down
- Growth over the years, but at a slower pace
- Profitability starts to deteriorate due to a hot economic climate and sick leaves
- Order backlog strengthens significantly towards the end of 2021

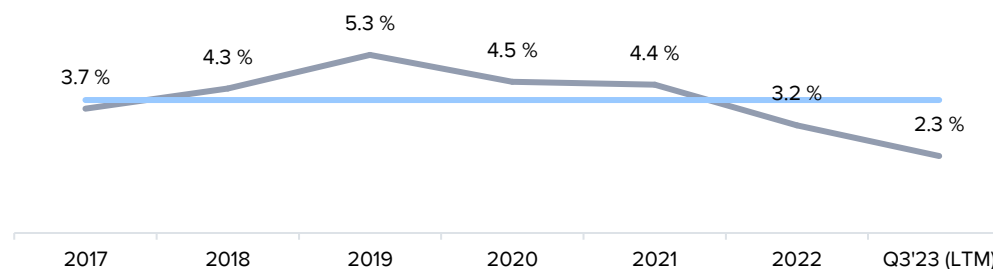
### 2022-

- Order backlog and large projects support Kreate's growth
- High resource prices and inflation bring significant costs
- Projects are progressing well with stronger-than-expected growth in 2023
- Market challenges push profitability to weak levels and below over-cycle levels

Revenue (MEUR) has grown 14% p.a. on average (2017-2022,CAGR-%)



EBITA-% has averaged 4.0%



# Company description and business model 1/5

## Company description

### Builder of demanding infrastructure

Kreate is a Finnish company specializing in demanding infrastructure construction. The company's businesses are divided into transport infrastructure construction and structural engineering. Infrastructure construction includes the construction of railways, roads and streets. Structural engineering consists of bridge building, foundation, civil engineering and special foundation construction. Kreate also offers a small number of services related to the circular economy.

Kreate is one of Finland's leading providers of demanding infrastructure construction, which we believe gives it a good market position in the infrastructure construction market. Urbanization, dense construction and renovation debt increase the need for more advanced infrastructure, but they also make projects more challenging. Kreate's track record of successful implementation of demanding projects gives it a small competitive edge here.

Kreate's revenue has grown strongly over the last five years, reaching around EUR 274 million in 2022. Annual growth has averaged 14% (CAGR) over 2017-2022, which is a strong performance for the sector. Profitability has also been at a good level for the sector, averaging around 4% (EBITA). Over the last two years, however, profitability has clearly deteriorated due to cost inflation.

Kreate has operations in Finland and to a lesser extent in Sweden (Swedish share Q1-Q3'23: 7%). In

Sweden, Kreate only started to grow through an acquisition in 2022 but has already managed to increase its share slightly.

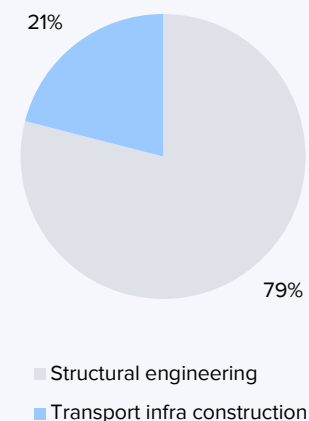
By business activity, structural engineering accounts for about 80% of the company's revenue (Q1-Q3'23) and transport infrastructure construction for about 20%. The share of structural engineering has recently increased significantly with the construction of bridges, while railway construction projects have been postponed in transport infrastructure construction.

By customer group, the public sector accounts for the largest share of revenue, which creates stability in the company's business. At the same time, however, it reduces project returns due to fierce competition. Government projects account for about 36% of the company's revenue (Q1-Q3'23) and municipalities and cities for about 19%. The rest (45%) comes from the private sector, which may include construction companies or developers/contractors. In these projects, the risks are generally higher, but the potential returns are also better.

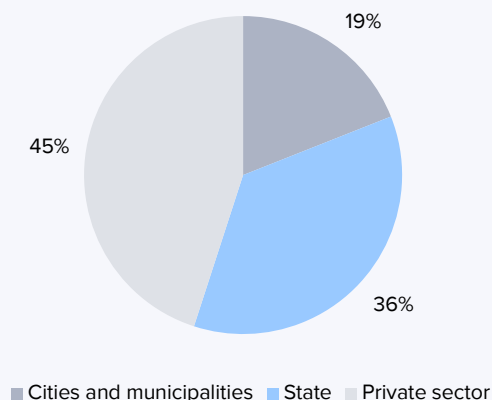
The company's financial target is to grow to a revenue of EUR 300 million by 2024, while increasing its EBITA margin to over 5%. We expect Kreate to reach the growth target already this year (2023e: 326 MEUR), but there is still a lot of work to do with profitability (2023e: 2.2%).

# KREATE

Revenue by business area (1-9'23)



Revenue by customer group (1-9'23)



# Company description and business model 2/5

## Business model

Kreate's offering is divided into transport infrastructure construction, structural engineering and services related to the circular economy. The company's services are divided into bridges, roads and railways, environmental and civil engineering, circular economy and geotechnical needs. Often, projects are carried out in cooperation between different areas as an integrated project, and Kreate is able to respond to very demanding and large infrastructure projects.

The company has one segment and two previously presented business areas. The essential elements of both business areas are set out below.

### Transport infrastructure construction

Transport infrastructure construction can be divided into road and railway construction. In the road and street construction business, Kreate focuses on the execution of demanding and large-scale projects with many technical dimensions, such as geotechnical structures, multiple interchanges and intersections.

The railway construction business includes the construction work for railways, railway yards, tramways and metro lines. According to the company, the projects range from major track renewals to smaller bridge and track ballast replacement works. During 2022, Kreate strengthened its expertise in railway construction by expanding into electric and safety railway activities. Transport infrastructure construction

accounted for 21% of the company's revenue in Q1-Q3/2023.

### Structural engineering

Structural engineering can be divided into bridge construction and foundation and civil engineering construction. Kreate's bridge construction and repair services cover both the construction of new bridges and the repair of existing ones. The complexity of bridge projects is increased by factors such as water crossings and the urban environment, technical requirements such as length, height, load-bearing capacity and type and tight deadlines. According to the company's IPO prospectus, Kreate's projects have won the Finnish Association of Civil Engineers' Bridge of the Year award five times in 2010, which is a testament to the company's expertise.

The foundation and civil engineering business designs and implements mainly construction-related foundations, pile-driving and piling slabs for residential, commercial, public and industrial customers. Kreate's rock and concrete construction business in Sweden is also part of structural engineering. Structural engineering accounted for 79% of the company's revenue in Q1-Q3/2023.

Specialized foundation construction, consisting of Kreate's 50% stake in KFS Finland, are also presented under structural engineering. However, KFS Finland's revenue is not included in Kreate's figures, but the company records it in the share of the profit or loss of associates. KFS Finland focuses on specialized foundation construction and is,

according to the company, the market leader in its field. The specialized foundation business includes jet grouting, stabilization, bored piling, retaining wall construction and anchoring.

### Circular economy

Kreate also has a circular economy business. Kreate's circular economy business offers solutions for environmental and landfill construction and supports the efficient recovery, use and recycling of materials and, if necessary, the disposal of construction waste and industrial by-products. The aim is to replace virgin soil in both Kreate's own projects and those of its partners. However, the circular economy is a small part of Kreate's business (we estimate a few percent).

# Kreate's business

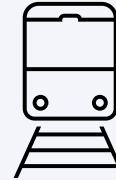
## Structural engineering



**79%** of revenue 1-9/23

- Operations in Finland and Sweden
- Bridge construction and repair play a major role
- Another important component is foundation and civil engineering construction, which suffered from a weaker new construction market
- Projects include Sulkavuori central sewage treatment plant, renewal of the Mt180 Kirjalansalmi and Hessundinsalmi bridges, Kruunusillat project, Tampere Deck

## Transport infrastructure construction



**21%** of revenue 1-9/23

- Operations in Finland
- Construction of railways, roads and streets
- Focuses on road construction, especially on technically demanding projects (not basic road maintenance)
- Reduced share due to postponement of railway projects and weak market, but the market is improving
- Objects include several railway network repair projects, Syrjäsalmi railway bridge, Sompasaari Helsinki

## Project lifecycle

### Project development

### Design

### Project implementation

### Maintenance

## Role of Kreate



*Clients and customers often develop the project*



*Kreate partly involved in project design and studies*



*The main focus of Kreate's business is on the implementation*



*Maintenance and repair play a smaller role for Kreate*

# Company description and business model 3/5

## Project business

Kreate operates in project business. Kreate's revenue is generated almost entirely from infrastructure construction contracting. The most common types of contract are fixed-price works contracts, DB (design and build) contracts, DBD (design, build and develop) contracts, project management contracts and ever-increasing alliance projects. The company's revenue stream is earned over time as projects progress, rather than on delivery or completion, as in, e.g., self-financed construction.

Often, a price is agreed on the basis of which Kreate will carry out the work. If the actual cost of the contract is lower or higher than Kreate's budget, the loss or profit remains with Kreate. However, the sector is now using more and more cooperative agreements where responsibilities (costs) and objectives (profits) are shared between the participants (e.g. alliance models). Also, contracts are often index-linked so that, for example, cost fluctuations do not have a significant impact on the final result.

## Economic cycles have an impact

The construction and infrastructure sector is affected by the economic cycle. Thus, Kreate's business has a cyclical character, although it is generally steadier than other new construction. Create is also linked to other more cyclical construction. In addition to its own projects, Kreate carries out construction work as part of larger projects, e.g., creating the optimum road, track or foundation conditions for an industrial project. This makes Kreate dependent on investment in construction in various sectors.

Infrastructure moves with the economic cycle and investment but has also counter-cyclical features. Often large infrastructure projects and investments are driven by the public sector and their demand is not very dependent on the economic situation (e.g. railway projects). When the economy weakens, recovery often kicks in for states and municipalities, and infrastructure has historically often been a productive target for stimulus money, with infrastructure construction often leading to other economic activity.

Overall, public demand balances fluctuations in private demand, making infrastructure less dependent on the business cycle. This has also kept historical developments in the infrastructure sector reasonably stable.

## Resources: labor, machinery and materials

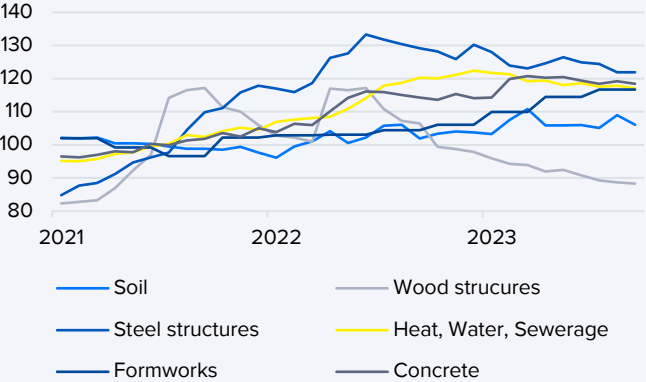
Kreate's business projects require a lot of manual labor, machinery and raw materials. We estimate that the largest part of Kreate's workforce is on the company's payroll. In-house labor is used for the most demanding parts of projects and subcontractors for the more repetitive and easier parts. The use of in-house labor contributes to improving visibility and also the manageability of projects.

Kreate is particularly dependent on steel, machine fuels, bitumen, concrete, timber and other basic construction materials. Price fluctuations of these raw materials can have a significant impact on the company's profitability and business. Since 2020, civil engineering costs have been rising sharply, both in terms of labor and inputs.

Cost index for civil engineering has continued to rise (2015=100)



Prices of key materials for Kreate already showing a decline



Source: Inderes, Statistics Finland



# Company description and business model 4/5

Consequently, the company has suffered from recent cost increases, as older, longer-term projects have not been able to fully absorb the price increases. Projects agreed years ago have not been able to take account of cost increases, which are often in tens of percent. In the project business, the price of some materials is generally agreed in advance, but many purchases are also made as projects progress. In such cases, locked-in contract prices are often problematic and can significantly reduce the profitability of the project (depending on the type of contract). The cost impact of long-term projects that started earlier should end in 2023.

We estimate that contracts today often include an indexation for cost increases. In addition, project models often involve the sharing of costs and benefits between different parties. At the same time, as can be seen from the graph on the previous page, raw material prices have already started to moderate somewhat from their peak levels.

**Cash flow is concentrated towards the end of the year, no significant investments**

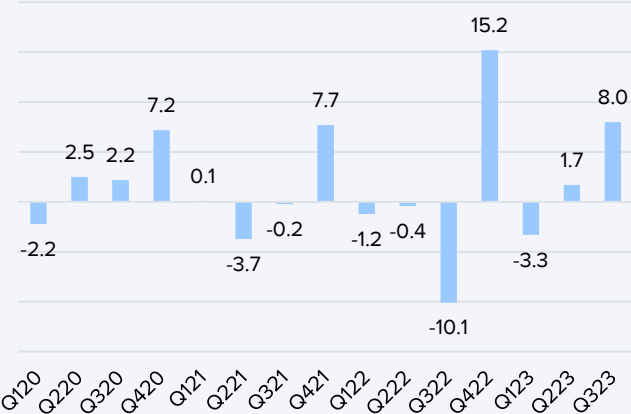
Kreate's operational free cash flow is typically strong, especially in the second half of the year, when projects are often completed. In turn, capital is often committed when projects start early in the year. The company's working capital has been negative or zero on an annual basis in recent years. This is reasonably normal, as the company is in the contracting business and does not prepare anything for sale on its own balance sheet (inventory). We believe that Kreate also has a good negotiating position with raw material suppliers and

smaller subcontractors. This is enough to cover the payment deadlines to customers or, e.g., the main contractor, and the commitment of working capital.

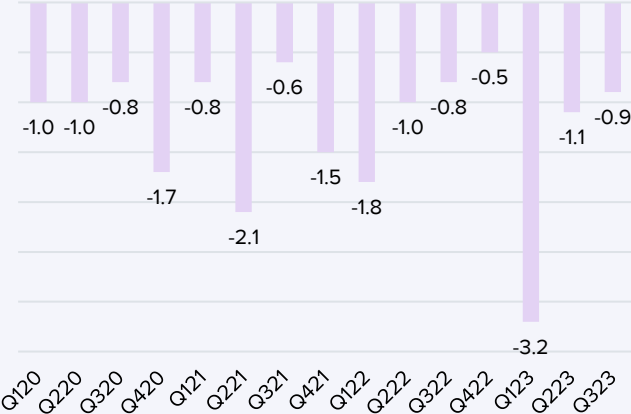
Negative net working capital is positive for investors, as the business can grow without the need for additional financing. During a period of declining revenue, negative net working capital can certainly put negative pressure on cash flow, but given Kreate's operational performance and financial situation, we do not believe this should be a problem for the company to manage. Over the past year, working capital has increased as capital has been committed to large projects, but we expect working capital to remain slightly negative in the longer term. In just the last few quarters, the situation has moved in the right direction, which has also been reflected in improved cash flow.

In line with the company's business model and the industry, the company does not spend much on investments in relation to the size of the business. However, the company must constantly renew or upgrade its equipment in order to maintain the same level of efficiency as it has had to date. This requires maintenance and new investments. Investments may also involve larger one-off items, e.g., when specialized machinery is purchased. Gross investments in 2022 totaled EUR 4.6 million (2021: 5.6 MEUR), which is at a moderate level of around 2% of revenue. We see this level also being the level of investment in the future, excluding the larger one-off investment items.

**Operating free cash flow often improves towards the end of the year (MEUR)**



**Net operating investments are moderate (MEUR)**



Source: Inderes, Kreate

# Company description and business model 5/5

## There are seasonal variations in the business

The seasonal variations in Kreate's business largely follow the seasonality of construction but differ slightly from traditional construction. While Q4 is generally the best quarter in the construction sector, Q2-Q3 are more important for Kreate. Infrastructure is often a weather-sensitive business, with more work tending to be done in the warmer seasons. Q1 is generally the weakest quarter and also at the end of Q4 the weather starts to make it difficult to implement projects. However, projects are often completed in Q4 and large installments may become payable, reducing the seasonality of the quarter.

## Costs are mostly variable

There is a reasonable degree of flexibility in Kreate's cost base. Most of the costs are variable and the only costs that are fixed are the ones related to group functions. Other costs are incurred by the projects. Materials and services account for a large share of costs, with a ratio of around 80% of total costs in 2022. This component also moves very much with revenue but varies from year to year through the price of resources and the success of their management. In addition, the company has personnel costs, which remain reasonably fixed, although there are some variable elements. This accounted for around 12% of total expenditure in 2022. Other operating expenses (5% share) are mainly fixed costs and their share of the total is very small. In our view, business scalability is limited, although optimizing (employee resource) utilization rates will improve profitability up to a point.

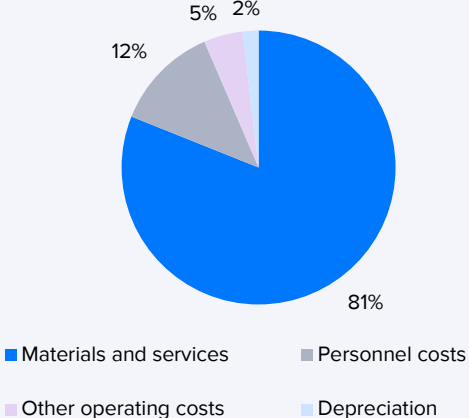
## Expertise in demanding projects creates a small competitive advantage

Kreate has many references from demanding infrastructure projects, as well as expertise in highly demanding projects, which can help give the company a small competitive advantage over others. Successful project references are likely to strengthen the brand and continue to give the company a competitive advantage, as in the industry, previous references are important in winning new projects. Examples of references include Tampere Deck, Helsinki-Vantaa Airport T2 Infra, Klaukkala Mt 132 bypass, Isoisä Bridge, Lauttasaari Bridge, Kruunusillat project and Kimola Canal.

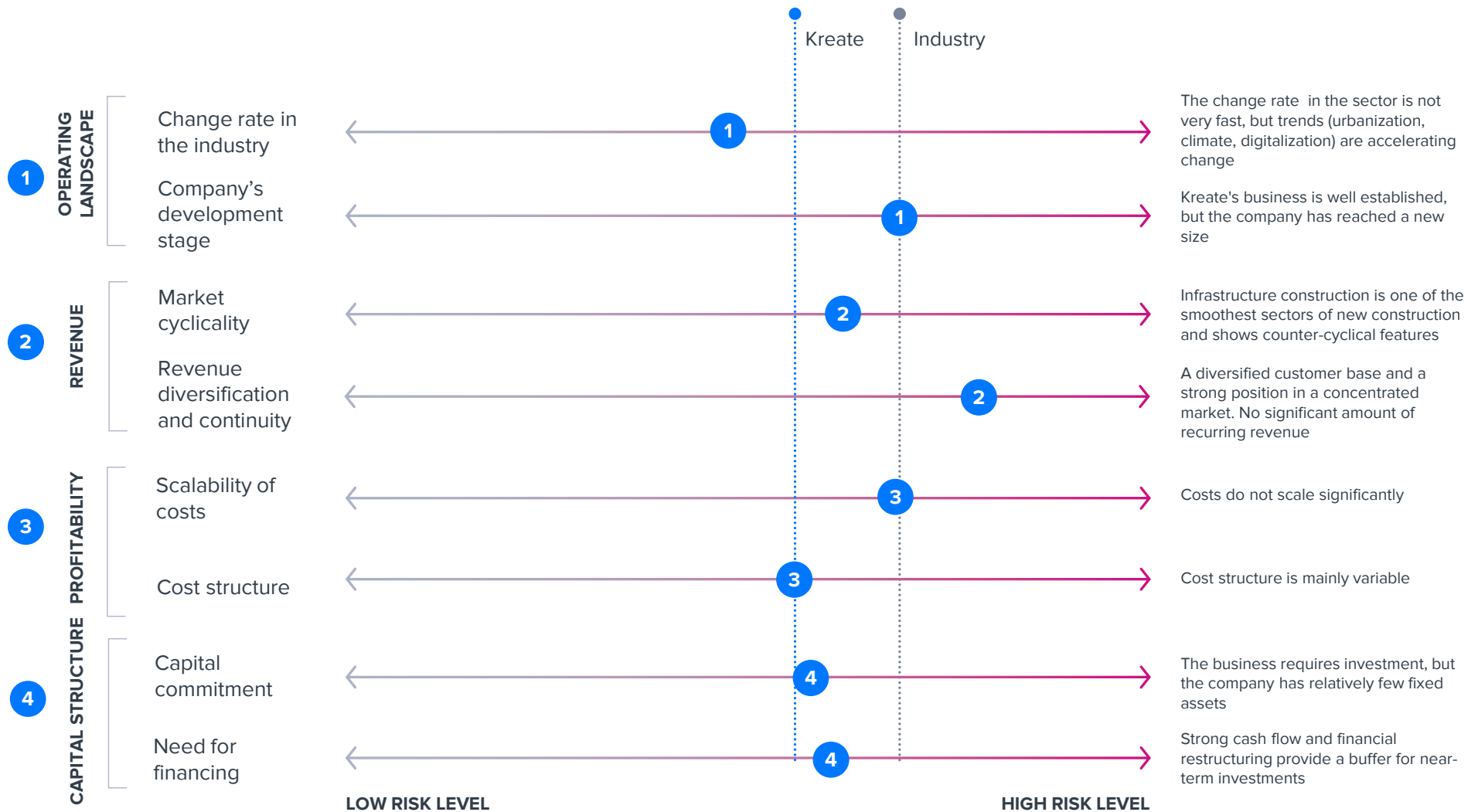
## The risk profile of the business model is more moderate than in the rest of the construction sector

In our view, the risk profile of Kreate's business model as a whole is reasonably moderate compared to the rest of the construction sector. The risk level of the business model is partly lowered by counter-cyclical business, a high share of public sector revenue, specialized business, a large customer base and a well-known brand. The risk level of the business model is increased by the dependence of the business also on private investment, the risk factors of the project business, the volatile nature of the business, the constant need for maintenance investment, the dependence on a single industry and the high dependence on a single market.

Most of the costs are project-related variable costs



# Risk profile of the business model



# Strategy 1/2

## A strategy based on the company's strong expertise

Kreate's goal is to be among Finland's leading providers of demanding infrastructure construction projects. The company's financial goal is to grow faster than the market while maintaining good profitability. The aim is to maintain a strong balance sheet position and also to distribute a large part of the profit as dividends to shareholders each year.

Growth has been strong, in line with the strategy objectives, but sustaining high levels of profitability has proved challenging. In our view, the increased size will make it more challenging to reach previous profitability levels.

## Cornerstones of the current strategy

**1. Positioning in growing market segments.** In its own words, Kreate aims to capitalize on its market position and grow in those areas of the market that particularly benefit from the increase in infrastructure demand. According to our estimates, this means riding the tide of the urbanization trend through higher buildings, more compact urban environments, smoother transport, more public transport and expansion on water among other things. These all mean that specialized expertise is needed in infrastructure construction for demanding projects. With expertise and references, the company can distinguish itself as a high-quality or unique player on the Finnish scale, which Kreate already partially is. We also estimate that the profitability of more demanding projects is better than general infrastructure construction, which creates good opportunities for the company.

At the same time, however, the risks increase, as project costing may fail or implementation may otherwise be more expensive than anticipated. There can also be unforeseen errors in project implementation. However, contractual models (alliances, cooperation models) often protect the parties from these risks, especially in extremely challenging and large projects (e.g. the Kruunusillat bridge project).

**2. Strengthening and expanding the customer base and offering.** Kreate also wants to expand and strengthen its customer base and its offering. Kreate has already expanded into activities such as railway construction, electric railways and safety installations, and acquired Bror Bergentreprenad AB, a Swedish company focused on demanding underground infrastructure construction.

The company sees opportunities for growth in areas such as the Finnish government's transport investment program and the green transition. Finland's membership of NATO and the prevailing geopolitical situation may also increase the need for rail, road, port and airport infrastructure. We believe that infrastructure development is important for Finland's security of supply and accessibility and can increase market opportunities.

Attracting skills from the labor market or through M&A will be one of the cornerstones of a successful expansion strategy. We believe that the company is seen as an attractive employer in the industry because of its entrepreneurial spirit, agility, challenging and interesting projects and fair remuneration system. Employees have the opportunity to contribute to their own earnings,

which increases motivation and incentives.

**3. M&A to support the strategy.** Acquisitions are also a way to expand and strengthen skills. Kreate has a history of successful acquisitions, including the aforementioned acquisition in Sweden in fall 2022. However, we do not see acquisitions as a primary growth strategy for the company, as the company has also done quite well organically. However, if the right price and the right expertise are available, we think it is good that the company has appetite for acquisitions.

M&A is primarily seen as a way to expand and complement Kreate's existing expertise, but new competences can also be acquired. The criteria are that the company must be profitable and financially sound, with culture, strategy and values also fitting those of Kreate.

**4. Supporting profitability by improving operational efficiency.** Kreate has historically been reasonably profitable despite strong revenue growth. We believe that this has been made possible by strong expertise, selective bidding, the profitability advantage of demanding projects, lean management, efficient processes and modern systems. In recent years, however, profitability has slipped to very low levels for the company due to cost pressures and project delays caused by market challenges.

## Strategy 2/2

According to Kreate, the company continuously strives to improve its operational efficiency, e.g., by preparing an annual action plan in which it identifies key areas for improvement in the coming year. At present, however, profitability is increasingly uncertain, also from a long-term perspective.

Kreate has grown from a revenue of around EUR 144 million in 2017 to over EUR 300 million (forecast) by the end of this year. Often in the construction industry, the profitability of the contracting business declines the bigger the player gets. At some point, an organizational structure that used to work well is too small to handle the number or size of projects that have grown. It can be difficult to replicate efficiencies or skills that existed in the company before to new businesses, new markets or new employees. This may also be possible for Kreate, but so far the cost structure suggests that market challenges are the main reason for the decline in profitability.

However, in this sense, the EBITA margins of over 5% achieved in 2019 seem very challenging to achieve in the short term. This level reflects the proven potential of Kreate, and steps have already been taken to manage the new size of the company. A clearer improvement in profitability from the current low level does not require major upheavals (completion of projects sensitive to cost changes) but getting closer to the target level requires a clear reduction in resource costs and, as a result, a better margin development of projects and increased efficiency in the organization.

At some point, the cost trend will also turn to support contracting or project management companies, which is also something to take into account after several boom years. However, the index-linked contracts or cooperative models that are becoming more common today eat into profits at the point where the impact of cost changes is shared between the parties.

Overall, the strategy has progressed faster than expected (at least in terms of growth) and Kreate announced that it is currently working on a new strategy. We do not think the strategic focus areas or big trends will change, but we expect the company to increasingly focus on profitability over the next few years.

### **Kreate's expansion into Sweden underway**

In September 2022, Kreate Infra Sverige AB, a Swedish subsidiary of Kreate, acquired Bror Bergentreprenad AB (BBEAB), a Swedish company specializing in demanding underground infrastructure construction. The acquisition gives Kreate a good start on its strategy of expanding into Sweden.

The acquired company BBEAB is focused on versatile and specialized underground infrastructure construction in Sweden. The company's pro forma turnover for Q1-Q3'2022 was EUR 10 million, while this year, after three quarters, Sweden has already generated EUR 16 million in revenue for Kreate. The growth has been helped by a significant order from Sweden.

The company has also been very profitable, with an

EBITDA margin of more than 10% of revenue in the financial year that ended in 2022. Kreate's EBITDA margin in 2022 was 5.2%, so the company has performed very well. The latest information on the impact of profitability on Kreate is not available.

A growing and profitable business in a new market has provided a good starting point for expansion in Sweden. However, being a very profitable and growing company in a large market was not reflected too much in the price in our opinion. The purchase price for BBEAB's entire share capital was SEK 70 million plus a 25% stake in Kreate Infra Sverige AB to be transferred to the seller. Based on the cash price alone, the transaction price is equivalent to a 0.5x EV/sales multiple and a 5.4x EV/EBITDA multiple, so in our view the price was not high at all.

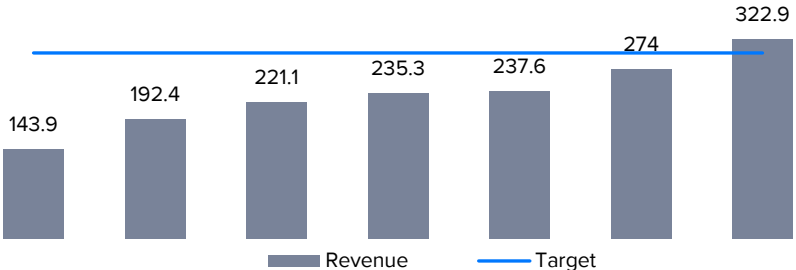
# Financial objectives of the strategy



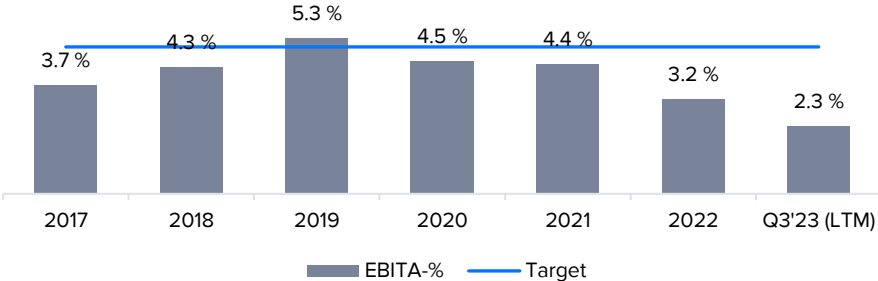
## Financial objectives (issued in connection with the IPO in 2021)

<b>Growth</b> EUR 300 million revenue by 2024	<b>Profitability</b> EBITA margin above 5% in the medium term	<b>Indebtedness</b> Net debt/adjusted EBITDA < 2x	<b>Dividend policy</b> Payout ratio at least 50% of net income
<ul style="list-style-type: none"> <li>Growth both organically and through selective acquisitions</li> <li>We estimate that the revenue growth target will be met this year already, so the company has exceeded the target</li> <li>2017-2022 14% annual growth (CAGR-%)</li> <li>We believe growth will slow as the market deterioration and efforts to improve operational efficiency will hold back the most significant organic growth in the coming years</li> </ul>	<ul style="list-style-type: none"> <li>The profitability target seems realistic, as the company already reached it in 2019 (5.3%)</li> <li>Sustainably maintaining the level requires work and efficiency improvements, as well as easing market challenges</li> <li>Kreate has grown to a new size, which we believe will challenge the achieving historic profitability levels</li> <li>We do not think it likely that the company would raise or exceed the target in the short term</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow has strengthened (1-9/23: 6 MEUR vs. 1-9/22: -12 MEUR) and investment needs are moderate</li> <li>Debt at the end of Q3'23 was 2.6x, above target</li> <li>However, interest-bearing debt has decreased (Q3: 43 vs. 51 MEUR)</li> <li>Normally, the company is well able to repay its debt and is growing above its targets, mainly through M&amp;A</li> <li>We think the gearing target is moderate, as the business model allows for more leverage</li> </ul>	<ul style="list-style-type: none"> <li>Kreate's objective is to distribute at least half of the net profit as dividends, while accounting for the company's financial position, cash flows and growth potential</li> <li>The business model's moderate capital intensity and good cash flow allow for good dividend payout capacity, but we estimate that weak earnings and rising gearing will reduce the dividend in the current year</li> </ul>

Revenue on track to exceed the 300 MEUR target this year



Profitability clearly below target



Source: Inderes, Kreate

# Investment profile

## A strong growth company now needs efficiency measures

In terms of its investment profile, Kreate can still be considered a growth company, although we expect the strong growth of recent years to slow down. However, Kreate will continue to seek growth both organically and selectively through acquisitions. We believe that, also in the future, Kreate will be able to grow faster than the market because of its specialized expertise.

Kreate has also historically had good profitability (EBITA % 2019: +5%), but now, especially in 2023, there have been clear challenges to profitability. The aim for Kreate is to bring profitability back above the 5% level, but as mentioned above, increasing profitability to historical levels may be more challenging after the current growth in the size of the organization and the growth phase.

Despite low profitability, the business generates a good return on capital. Kreate's average ROCE over the last four years has been 18%. Both figures are excellent for the construction sector and also rank among the top in the Nasdaq Helsinki comparison. An efficient business model and low capital intensity create opportunities for good returns even with low profitability.

## Strengths and potential

**Strong expertise in infrastructure construction, especially in demanding projects.** Kreate has strong references on challenging sites, which can serve as a small competitive advantage in the market.

**Good project management and efficient operations.** Kreate's profitability has historically been at a good level for the industry and there have been no significant project problems or challenges. Now, market challenges and rising costs are burdening profitability.

**A stable and strong position** in the market gives the company good resources to expand its expertise and market position.

**Clear megatrends support market growth.** The infrastructure sector is supported by several megatrends (urbanization, sustainable development, renovation debt, digitalization) and will grow steadily in the long term.

**Strong operating cash flow** provides room for growth investments and dividends.

**Strong return on capital potential** for investments due to the company's capital-light balance sheet.

## Risks

**Changes in industry demand.** Kreate's business is dependent on the business cycle. This is counterbalanced by public stimulus.

**Project risks.** In the project business, costs can rise quickly and project management problems can arise. Now, rising costs have been eroding the profitability of the group for several years.

**Managing growth.** Growth management can fail and inefficiencies can start to occur. This can be the result of poor investment, recruitment or acquisitions.

**Heating of the business cycle.** Kreate has already been hit hard by the economic downturn. The company has not been able to control price rises. With continued cost pressures (raw materials, wages) and demand continuing to fall, profitability may remain under pressure.

**Dependence on the Finnish market.** The company still operates mainly in Finland and is highly dependent on public sector investment and the Finnish economy. Sweden's contribution is still small.

**Failure in integration of acquisitions.** Acquisitions always involve a high risk that the integration will fail. Cultures between companies may not match or the target may have been overpaid for. In addition, the commitment of key personnel in the acquired company is also important.

**International expansion.** In addition to the risks mentioned above, expanding into Sweden through an acquisition involves the effects of country-specific differences and often a different competitive landscape.

**Commitment of key personnel.** The success of staff incentives, potential challenges of growth and cultural changes can pose risks of loss of key resources.

# Investment profile

1.

**Strong growth-orientation organically and through acquisitions**

2.

**Expertise in demanding infrastructure supports market competitiveness**

3.

**Business model enables good returns on capital**

4.

**Big projects, larger organization and growth phase can reduce profitability potential**

5.

**Good cash flow enables growth investments and dividend stream**

## Potential



- Strong above-market growth
- A comprehensive offering for the entire infrastructure construction needs
- Urbanization and sustainable development underpin the market's stable growth outlook
- Good cash flow enables investments for growth
- A capital-light balance sheet and better profitability potential create good conditions to increase returns on capital even higher

## Risks



- The sector is dependent on the economic cycle and has cyclical characteristics
- After a good market period, a quieter period can increase competition for projects and lower prices
- Big projects also pose big risks
- The risks of acquisitions or expansion
- Dependence on the Finnish market



# Industry and market 1/3

## Trends support steady growth in the market

The infrastructure construction market has grown steadily over the last 20 years. According to the Confederation of Finnish Construction Industries (RT), the total construction market in Finland will be around EUR 42 billion in 2022. According to Kreate's broad interpretation, infrastructure will account for just over EUR 9 billion of this. The broad interpretation includes not only civil engineering, but also the maintenance of outdoor areas and groundworks in building construction. In its latest interim report, Kreate estimates the market for this in Finland to be around EUR 5 billion. The size of the market therefore leaves room for Kreate to grow.

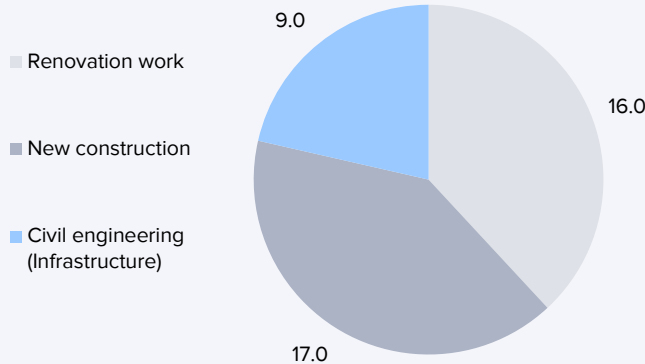
In the future, demand for the market will be driven in particular by urbanization, construction renovation debt and public sector stimulus programs. In addition, land use, housing and transport agreements and the Finnish government's 12-year transport system plan are expected to support growth in the coming years. Urbanization is expected to continue, and the population of Finland's five largest cities is projected to grow by a total of 14% between 2021 and 2040, according to Statistics Finland's population projections. Urbanization is increasing the need to improve connections between urban areas with, e.g., roads and bridges. In addition, urbanization is making infrastructure projects more demanding, as cities are built more densely and higher up. Rising repair debt also supports demand for infrastructure. Finland's infrastructure repair debt is estimated to be around EUR 6 billion, according to the ROTI 2023 report that assesses the state of built assets. This will lead to a huge need to repair bridges, roads, streets, railways and sewage systems in the future.

## Green transition and budgets support infrastructure

Public investment is important for infrastructure. In Finland, the government has emphasized that it will increasingly promote green or clean transition projects during its term, which in the long run will support the development of the infrastructure sector. A total of around EUR 600 million was earmarked for the infrastructure sector from the government's budget, of which EUR 250 million will be allocated for 2024 for the rehabilitation of the road network or infrastructure. The maintenance of the road network is not a core business for Kreate, but the repair of other infrastructure (bridges, tramways) is. With the remaining money, the government will quickly promote planned and talked about infrastructure projects to improve the road and rail network (Faster Turku-Helsinki train, Lentonrata, Savo Railway, etc.). However, government action is unlikely to bring relief any time soon and projects are not expected to start until next year. However, the green transition can also generate private industrial investment in Finland, where we believe infrastructure would play an important role.

The economic situation of municipalities and public stimulus measures also affect investment in infrastructure construction. The financial situation of municipalities deteriorated with the COVID pandemic, but in contrast, the government stimulus helped to balance the situation. The EU's COVID stimulus package will also distribute support for direct infrastructure investments, such as strengthening sustainable infrastructure and digitalization. Funds allocated to achieving climate neutrality can also support infrastructure construction, e.g., when investments are made in energy or transport.

Market share as described by RT; total EUR 41.5 billion (2022)



Source: Inderes, Kreate, the Confederation of Finnish Construction Industries (RT)  
\* shares are Inderes estimates

# Industry and market 2/3

## Weaker times expected for infrastructure

Based on our calculations, the market for infrastructure construction has grown by about 3% on average between 2000 and 2022. After a good year of growth in 2020, the market has come under downward pressure and is expected to decline further next year.

In line with the fall forecasts of the Confederation of Finnish Construction Industries (RT), volumes are expected to fall by around 5% this year, following a 1.0% decline in 2022. However, revenues have still been growing for many infrastructure specialists, reflecting high order backlogs. Some of the growth may also be explained by higher prices, but we also expect volumes to have grown faster in some areas than market forecasts show overall. We estimate that the weakness in foundation construction, which has suffered from the weakness in residential construction, is weighing on the overall infrastructure figures, while it is barely visible in, e.g., KREATE's business.

RT forecasts that 2024 will be even weaker, with volumes falling by 1.5%. At least we can no longer speak of a significant decline, but the forecast is for a four-year downturn in volumes in the infrastructure sector.

The outlook for infrastructure is currently supported by investment by the state, industry and municipalities, but particularly the outlook for private construction (offices, housing) and for basic infrastructure linked to other new construction, is clearly weaker at present. However, Kreate focuses in particular on demanding infrastructure sectors

and projects that have been more stable in terms of development. These (bridge, railway) projects are also often not significantly related to other new construction, and this shields them from cyclicity.

## Glimmers of light in Kreate's own outlook

According to Kreate, bidding activity has picked up again slightly after a slight downturn based on the Q3 report. At the moment, however, the company still sees that there may be delays in getting large projects off the ground. The delays have been particularly noticeable in railway construction.

Based on the current and future market situation for the different businesses shown on the right, especially the market outlook for bridge and railway construction has improved. In other business areas, the trend is unchanged from the previous quarter. A strengthening market is expected especially in railway construction, while foundation construction is currently suffering from the weak building construction cycle. The situation has not deteriorated in any area, which is good to see.



## Structural engineering

### Outlook (12 months) and current market situation Q3'23

Bridge construction	→
Civil and structural engineering	↘
Specialized foundation construction	→
Circular economy	→
Specialized infrastructure construction in Sweden	→



## Transport infrastructure construction

Railway construction	↗
Road and street construction	→

### Outlook (arrow)

- ↗ Very strong market in the following 12 months
- ↖ Strengthening market in the following 12 months
- Stable market in the following 12 months
- ↘ Weakening market in the following 12 months
- ↙ Very weak market in the following 12 months

### Situation (color)

- Improved
- Unchanged
- Weaker

Source: Inderes, Kreate

# Industry and market 3/3

## Big players stand out

There are many different types of players in the market, but it is the larger players with a wide service ranges and expertise that stand out as competitors to Kreate. There are also medium-sized players in the market who specialize in a particular part of the sector or have expertise in only a narrow part of the infrastructure market. In its own words, Kreate is a leader in bridge construction, foundation engineering, concrete construction and specialized foundation construction.

## Growth rate faster than competitors

We compared Kreate's performance against its Nordic peers. It should be noted that not all operators are active only in the Finnish market, which weakens comparability to some extent.

Between 2018 and 2022, Kreate has grown at an annual rate of 9%, while competitors\* have not grown at all on average. The clearest growth in the market has been achieved by operators with a stronger and broader offering in infrastructure construction and a clearer specialization in infrastructure construction. We believe this is the result of an increase in demanding and large projects.

## Better profitability than among competitors

The sector is generally characterized by low profitability due to the nature of the contracting business and the level of risk (low capital commitment). In addition, there are often large

year-to-year fluctuations in profitability, and few seem to be able to achieve sustained, steady profitability. During its short history, Kreate's profitability has remained relatively stable at around 4-5% but has also recently started to deteriorate. However, compared to its competitors, the company's EBIT margin over the past four years has been clearly better, averaging around 4.3% compared to around 2.5% for its competitors. We believe that Kreate's expertise in demanding areas, selective bidding, efficient processes, agility and modern systems have helped the company to outperform its competitors.

## Return on capital at a good level

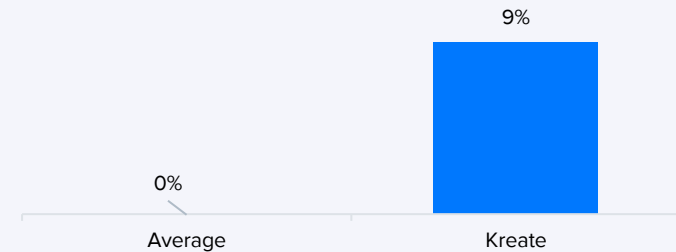
It is possible to achieve high rates of return on capital in the infrastructure sector despite low profitability. Kreate stands out in terms of profitability, but also has a reasonably good return on capital. The average ROE over the last four years has been around 21%. ROCE has also averaged ca. 17.5%.

The figures are already good at the index level, but the biggest competitors have also done reasonably well. The average ROE of competitors over the last four years has been around 15%. Here we have compared group figures instead of those of infrastructure business, which may slightly reduce comparability when operators have other construction activities. Taking this into account, KREATE's return on capital figures are at a very good level.

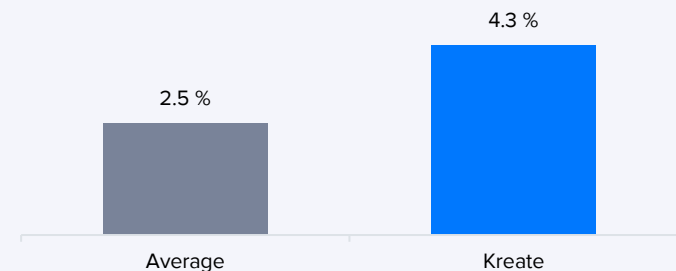
\* When comparing revenue growth and profitability, the figures for the largest competitors' infrastructure segments have been used. The comparison includes YIT, GRK, Peab, NCC, Destia, Terrawise, NRC. For the ROE %, group figures have been used for key competitors.

## Kreate's performance vs. competitors\*

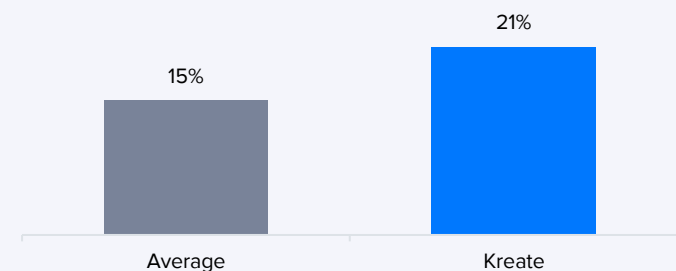
### Revenue growth (2018-2022 CAGR-%)



### EBIT-% 4-year average



### ROE-% 4-year average



# Financial position

## Good financial position

Kreate is in a good financial position. The balance sheet ratios are at a moderately good level, cash flow is good and debt has decreased slightly from the high levels of the comparison period. However, the increase in the amount of debt and the rise in interest rates has clearly pushed up interest costs compared to previous years.

In our view, the company's balance sheet ratios have been at a reasonably good level for the business model throughout the company's history. The equity ratio has averaged slightly above 30% since 2019 and is now also at around 30% at the end of Q3'23. The company is the ratio of net debt to EBITDA for indebtedness. Since 2019, the ratio has averaged 2.0x, which is within the company's 2x target level. Now, at the end of Q3, the figure was at 2.6x, but this has been boosted by funding raised for acquisitions. However, the figure is already well down from the 3.4x level of the comparison period, even though profitability has weakened at the same time. Good cash flow generation has helped to reduce net debt.

The company's business model generates good cash flow, which makes it possible to combine dividends and investments with income financing. However, the cash flow shows seasonal variation. In the early quarters of the year, cash flow is typically weaker than in the latter part of the year as projects are completed and large installments are paid, as shown in the graph on the next page. The company has worked with working capital management and successfully released capital

from projects, which has improved cash flow.

Thanks to its business model, the company has a relatively low level of maintenance investment, as we noted earlier. With low levels of maintenance investment (gross investment of around 2% of revenue), more of the cash flow from operating activities is available for growth and dividends. Thanks to the light balance sheet, the potential return on capital is also high, as we have shown on previous pages.

## Simple balance sheet

We look at the balance sheet at the end of the third quarter of 2023. The balance sheet total at the end of Q3 was around EUR 145 million, of which EUR 40 million was goodwill on the asset side. Goodwill thus represents around 28% of the balance sheet total. Goodwill is accumulated in the balance sheet from acquisitions and is not amortized in accordance with IFRS. However, other intangible assets generated by acquisitions is depreciated so EBITA is therefore used to measure profitability in order to improve comparability. However, there is no significant intangible amortization from acquisitions by Kreate at this stage. The EBIT figures is thus close to the EBITA figures.

We believe that the write-down risk of goodwill is low, but larger changes in the market situation or parameters may generate write-down risks. However, we believe the parameters used by the company are currently at a sustainable level.

The largest item on the assets side at the end of Q3 was receivables with a share of around EUR 58

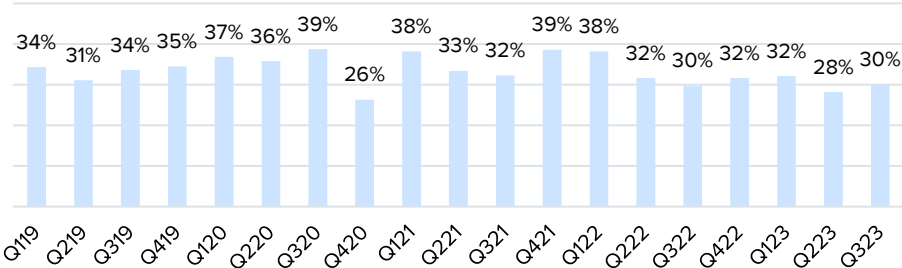
million. The third most important item is tangible assets (21 MEUR), most of which is the equipment used by the company. IFRS 16 right-of-use assets amounted to roughly EUR 3 million in the balance sheet. In addition, investments in joint ventures (KFS Finland) amount to around EUR 10 million. At the end of Q3, the company had around EUR 10 million in cash, which is quite sufficient to run the company's business in a healthy manner.

On the liabilities side equity stood at some EUR 44 million. Of non-current liabilities around EUR 1 million were non-interest-bearing and around EUR 31 million interest-bearing. Most of the liabilities were business-related (e.g. MFI loans) and the amount of IFRS 16 lease liabilities was small (a few million). The total amount of interest-bearing short-term debt on the balance sheet was around EUR 12 million, most of which was MFI loans. Total interest-bearing net debt at the end of Q3 amounted to EUR 33 million (Q3'22: 47 MEUR) and its average interest rate excluding rental liabilities was 5.3%. Short-term non-interest-bearing debt consists mainly of trade payables (55 MEUR).

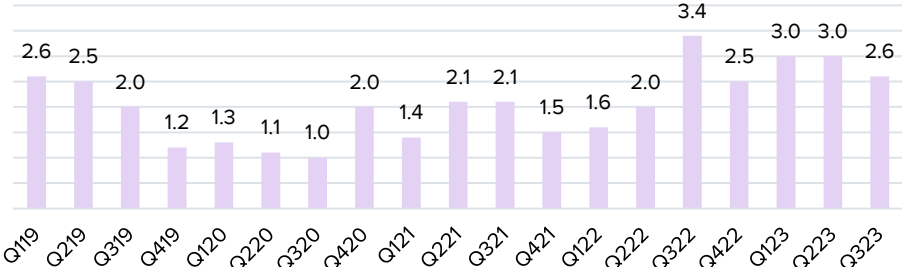
The balance sheet position on debt has improved recently as cash flow has improved. Operating free cash flow in Q3 was EUR 8.0 million (Q3'22: -10.1 MEUR), as working capital was released from major projects. During January-September, Kreate has accumulated EUR 6.4 million of operating cash flow, compared to a negative accumulation of almost EUR 12 million in the comparison period.

# Financial position

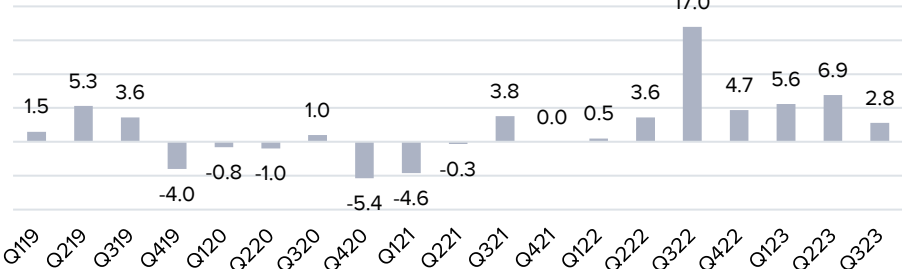
Equity ratio



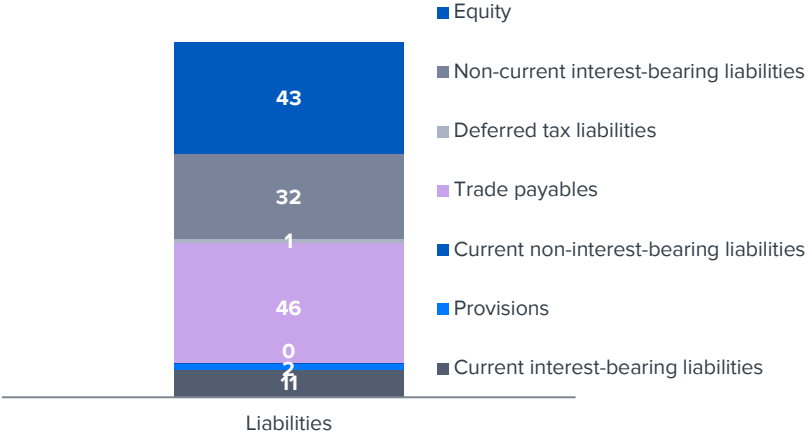
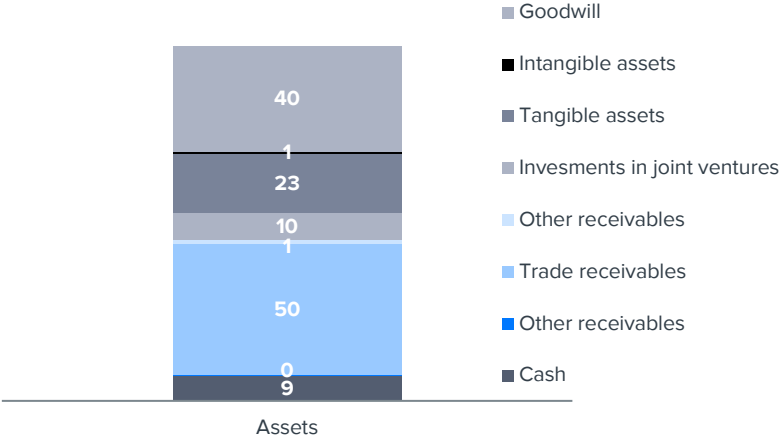
Net debt / EBITDA



Net working capital (MEUR)



Balance sheet 2022



Source: Inderes, Kreate

# Estimates 1/3

## Basis for the estimates

We forecast the development of Kreate's revenue in the medium term on the basis of the order backlog, market development and possible acquisitions. In the longer term, we rely on the market's development expectations. We base profitability on the company's historical performance and assess the realism of the company's targets. Potential acquisitions are not included in our estimates.

## Market challenges will continue to weigh in 2023

2023 has not gone as well as expected for Kreate. Revenue has been growing very strongly (Q1-Q3: +26%), but profitability is falling this year to the lows of the current cycle. According to Kreate's guidance, revenue (2022: 273.9 MEUR) will be 300-325 MEUR and EBITA (2022: 8.8 MEUR) at the level of 7.0-8.5 MEUR. Thus, revenue is expected to grow by 9-19%, but earnings to decline by 5-20%.

Profitability is now suffering from unfavorable market conditions (increased competition and high resource prices). However, the outlook for revenue is already starting to show positive signs based on the Q3 report. According to Kreate, bidding activity has picked up again slightly, although there may be delays in getting large projects off the ground. The company suggests that the predictability of costs has also improved and next year's results will no longer be affected by projects under old contracts. According to the company, the market outlook has improved especially in bridge and railway construction. In other business areas, the

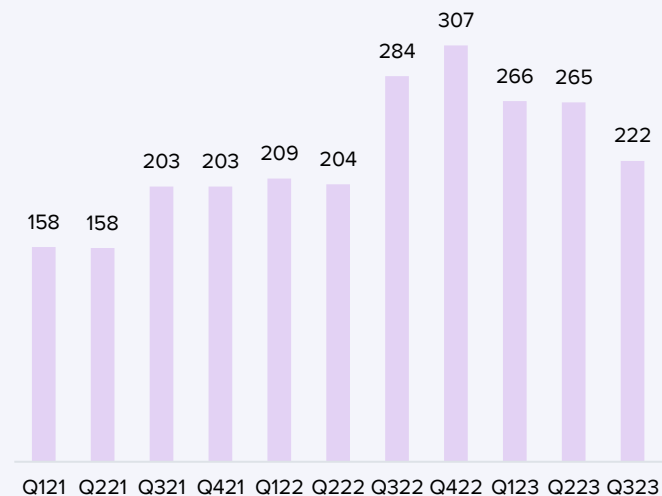
development has been stable compared to the previous quarter. A strengthening market is expected especially in railway construction, while foundation construction is currently suffering from the weak building construction cycle.

## Revenue is growing

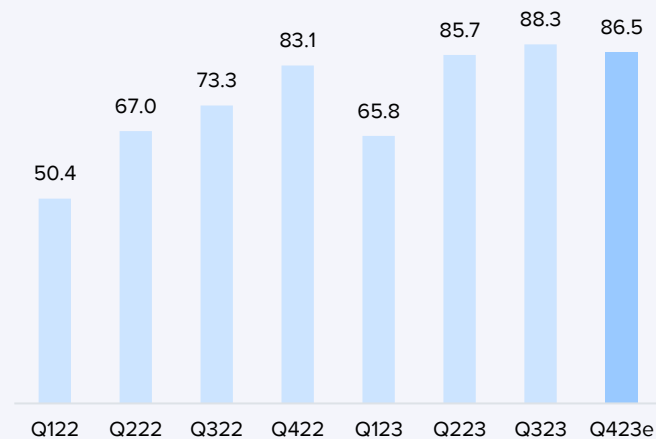
The company's revenue is clearly growing after three quarters, but the guidance foresees a clear slowdown in revenue growth. We forecast revenue to grow by 19% (2023e: 326 MEUR) and to be moderately above the upper end of the guidance range. However, our forecasts see growth slowing down markedly in the rest of the year (Q4: +4%).

The weaker growth in revenue is also affected by the turnaround in the order backlog from high levels to lower levels. At the end of Q3, the order backlog was already down by about 22% to EUR 222 million, compared to EUR 284 million at the end Q3'2022.. The order backlog of over EUR 300 million has created very good opportunities for Kreate to grow faster than the market also this year, but with the start-up and progress of major projects, a decline in the order backlog and consequently in revenue is expected. In addition, H2'2022 saw large projects (Kirjalansalmi and Hessundinsalmi bridges, Kesko logistics center), which have not been present this year. For the rest of the year, we expect the order backlog to remain under downward pressure as projects progress and some are completed.

## Order backlog turning downwards



## Revenue per quarter



## Estimates 2/3

In general, the length of Kreate's order backlog varies from short projects (3 months) to longer projects (2-4 years), making it difficult to identify a clear order backlog for a particular year. According to our calculations and Kreate's previous estimates, over the last few years, Kreate has generated an average revenue of around EUR 75 million per financial year on top of the order backlog at the beginning of the financial year (2018-2022). We expect the relationship to change slightly in the near future, as the company's projects have slightly increased in duration (Kruunusillat and Kirjalansalmi & Hessundinsalmi bridges) and are spread over several years. This year, based on our forecasts, revenue would be just over EUR 60 million.

### Clear deterioration in profitability

We do not expect the good revenue development to be reflected in the result and expect EBITA to decline to EUR 7.3 million and the margin to remain at the low level of 2.2%. The company's earnings performance this year has been adversely affected in particular by rising costs. Older projects are prone to cost increases, as their contract structure has not taken such strong cost increases into account.

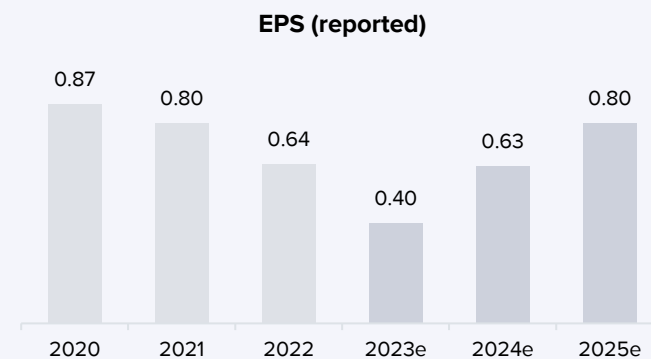
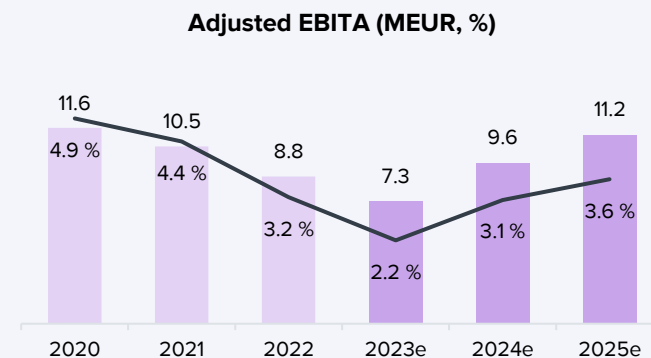
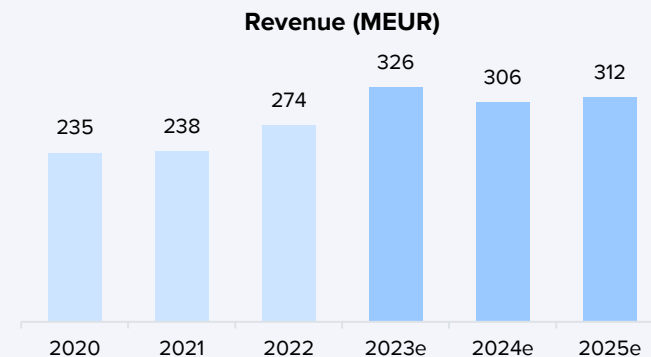
We also believe that the earnings guidance still carries downside risk if the company's revenue or costs fall short of expectations. This year, especially material and service costs have grown faster than revenue, which has weakened the result. Wages and salaries or other business expenses have been flat, although the company has experienced wage inflation. On the positive side of the profitability outlook, old projects subject to cost pressures

should be completed by November at the latest.

At the bottom of the P&L account, financial expenses will grow significantly from the comparison period due to the increase in interest rates. In the comparison period, the average interest rate was closer to 3%, while it is now over 5%. However, the level of debt is coming down, which is positive. In our forecasts, adjusted EPS will fall to EUR 0.40 (2022: EUR 0.64). We forecast the dividend to decrease to EUR 0.30 per share (2022: EUR 0.46). The company could probably afford to maintain or increase the dividend. However, because of the growth phase, we are not relying on a very aggressive dividend.

### Our forecasts see revenue falling in 2024

Given the lower order backlog and the weaker order outlook for the rest of the year, we expect revenue to decline by around 6% to EUR 306 million in 2024. We expect a decline especially in H1, but for the rest of the year, we expect project launches and market pick-up to support revenue more. The order intake in late 2023 and early 2024 will determine the level of revenue next year to a very great extent. If the order backlog holds up better than expected in the latter part of the year, our expectations may be too modest. Currently, project delays and an uncertain market, especially for private sector customers, are slowing down progress.



## Estimates 3/3

We expect a bigger improvement in performance in 2024, when the growth phase calms down, front-loaded investment costs (acquisitions, new rail business, recruitment) start to pay off and cost pressures ease. The negative effects of old projects should also come to an end if they go ahead as planned. On the cost side, we forecast an improvement in materials and services. We continue to see upward pressure on staff costs in relative terms due to wage increases. In turn, we expect other operating expenses to decline slightly in relative and absolute terms.

Overall, in 2024, we expect EBITA to increase by around 30% to EUR 9.6 million and the margin to rise to 3.1%. Between 2019 and 2022, the company has achieved an average profitability of around 4.3%, so the improvement does not require the company to perform miracles. In our estimates, earnings growth in the top line also raises EPS to EUR 0.63 (2023e: EUR 0.40). We expect the dividend to be around 50% of earnings, rising to EUR 0.35 per share.

### Back to growth in 2025

Going into 2025, we expect order backlog accumulation to set the stage for another year of growth. We expect revenue to start growing slowly at around 2% and accelerate to around 3% in 2026. Our growth forecasts are more moderate than the company has achieved in recent years. In the future, we expect the company to focus more and more on profitability, also in its strategy. We expect profitability to improve further between 2025 and 2026. The moderation of cost pressures and more optimal contract structures for new projects will

allow growth to be accompanied by a small margin improvement (2025e: 3.6%, 2026e: 3.7%).

### Long-term estimates

In the longer term, we see the company's growth slowing gradually. Based on our estimates the company's organic growth rate moves to around 3% during 2026-2029 and will slow down to about 1.5% in the long term. We see the company's infrastructure market growing at a good level also in the long term with favorable megatrends.

In the long term, we expect Kreate's profitability to improve from its baseline levels, but there are some concerns about the recent decline in profitability, which has coincided with moving to a new size class. Our long-term forecast for Kreate's EBIT margin is around 4%, which is in line with the company's longer historical level (17-22: 4.0%). If the company does not manage to clearly improve its profitability in the coming years, the company's long-term profitability target and potential may also start to be questioned. So far, our assessment is that market challenges have been the cause of poor profitability rather than the company itself having operational challenges with project execution. In this sense, we think it is likely that Kreate will get back closer to its peak profitability in the medium term.



# Quarterly estimates

Income statement	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	235	238	50.4	67.0	73.3	83.2	274	65.8	85.8	88.3	86.5	326	306	312	322
EBITDA	14.0	14.2	2.1	3.5	4.2	3.8	13.6	1.0	4.1	4.0	3.7	12.8	15.4	17.3	18.5
Depreciation	-3.7	-3.9	-1.1	-1.1	-1.3	-1.5	-5.0	-1.4	-1.6	-1.2	-1.6	-5.8	-5.9	-6.1	-6.6
EBITA (adj.)	11.6	10.5	1.1	2.4	3.0	2.3	8.8	-0.4	2.6	2.9	2.2	7.3	9.6	11.2	12.0
EBIT (excl. NRI)	10.4	10.3	1.0	2.4	2.9	2.3	8.6	-0.4	2.5	2.8	2.1	7.0	9.4	11.2	12.0
EBIT	10.4	10.3	1.0	2.4	2.9	2.3	8.6	-0.4	2.5	2.8	2.1	7.0	9.4	11.2	12.0
Net financial items	-1.1	-2.1	-0.3	-0.3	-0.5	-0.9	-1.9	-0.4	-0.6	-1.1	-0.4	-2.6	-2.3	-2.1	-2.0
PTP	9.3	8.2	0.7	2.1	2.5	1.4	6.7	-0.8	1.9	1.7	1.7	4.5	7.1	9.1	10.0
Taxes	-1.5	-1.3	-0.1	-0.4	-0.4	-0.2	-1.1	0.2	-0.4	-0.3	0.0	-0.8	-1.4	-1.8	-2.0
Minority interest	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1
Net earnings	7.8	6.9	0.6	1.6	2.1	1.3	5.8	-0.7	1.5	1.4	1.3	3.6	5.6	7.2	7.9
EPS (adj.)	0.87	0.90	0.07	0.19	0.23	0.14	0.64	-0.07	0.17	0.16	0.15	0.40	0.63	0.80	0.88
EPS (rep.)	0.87	0.80	0.07	0.19	0.23	0.14	0.64	-0.07	0.17	0.16	0.15	0.40	0.63	0.80	0.88

Key figures	2020	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	6.4 %	1.0 %	31.8 %	26.6 %	3.8 %	9.8 %	15.3 %	30.6 %	28.0 %	20.4 %	4.0 %	19.2 %	-6.4 %	2.2 %	3.0 %
Adjusted EBITA growth-%		-9.5 %	23.6 %	-4.0 %	-27.5 %	-25.1 %	-17.0 %	-134.5 %	9.2 %	-2.4 %	-5.6 %	-16.7 %	31.3 %	17.3 %	6.8 %
Adjusted EBITA-%	4.9 %	4.4 %	2.2 %	3.6 %	4.1 %	2.8 %	3.2 %	-0.6 %	3.0 %	3.3 %	2.5 %	2.2 %	3.1 %	3.6 %	3.7 %
Adjusted EBIT-%	4.4 %	4.4 %	2.1 %	3.5 %	4.0 %	2.7 %	3.1 %	-0.7 %	2.9 %	3.2 %	2.4 %	2.1 %	3.1 %	3.6 %	3.7 %

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	326	326	0%	306	306	0%	312	312	0%
EBITA (excl. NRIs)	7.3	7.3	0%	9.6	9.6	0%	11.2	11.2	0%
EBIT	7.0	7.0	0%	9.4	9.4	0%	11.2	11.2	0%
PTP	4.5	4.5	0%	7.1	7.1	0%	9.1	9.1	0%
EPS (excl. NRIs)	0.40	0.40	0%	0.63	0.63	0%	0.80	0.80	0%
DPS	0.30	0.30	0%	0.35	0.35	0%	0.40	0.40	0%

Source: Inderes

# Balance sheet

Assets	2021	2022	2023e	2024e	2025e
<b>Non-current assets</b>	<b>65.5</b>	<b>74.9</b>	<b>77.1</b>	<b>79.3</b>	<b>81.2</b>
Goodwill	35.6	40.0	40.0	40.0	40.0
Intangible assets	0.9	0.7	0.4	0.2	0.2
Tangible assets	19.0	22.8	25.4	27.7	29.6
Associated companies	8.9	10.0	10.0	10.0	10.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.4	0.2	0.2	0.2	0.2
Deferred tax assets	0.7	1.2	1.2	1.2	1.2
<b>Current assets</b>	<b>41.1</b>	<b>59.6</b>	<b>65.7</b>	<b>60.0</b>	<b>59.7</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.6	0.4	0.4	0.4	0.4
Receivables	34.2	49.8	52.2	47.4	46.8
Cash and equivalents	6.3	9.4	13.1	12.2	12.5
<b>Balance sheet total</b>	<b>107</b>	<b>135</b>	<b>143</b>	<b>139</b>	<b>141</b>

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
<b>Equity</b>	<b>41.1</b>	<b>42.6</b>	<b>42.1</b>	<b>45.0</b>	<b>49.0</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	21.3	23.4	22.9	25.8	29.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	19.7	19.2	19.2	19.2	19.2
Minorities	0.0	-0.1	-0.1	-0.1	-0.1
<b>Non-current liabilities</b>	<b>26.3</b>	<b>35.4</b>	<b>33.1</b>	<b>35.5</b>	<b>22.9</b>
Deferred tax liabilities	1.1	1.5	0.9	0.7	0.5
Provisions	2.6	1.9	1.9	1.9	1.9
Interest bearing debt	22.6	32.1	30.3	33.0	20.6
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>39.2</b>	<b>56.6</b>	<b>67.7</b>	<b>58.7</b>	<b>68.9</b>
Interest bearing debt	4.6	10.7	15.1	11.0	20.2
Payables	34.5	45.5	52.2	47.4	48.4
Other current liabilities	0.1	0.4	0.4	0.4	0.4
<b>Balance sheet total</b>	<b>107</b>	<b>135</b>	<b>143</b>	<b>139</b>	<b>141</b>

# Valuation 1/4

## Valuation summary

We reiterate our Accumulate recommendation for Kreate, revising our target price to EUR 7.30 (was EUR 7.00). We revised our target price slightly upwards based on the valuation of our peers. We price Kreate primarily through earnings-based valuation multiples, which we are also able to benchmark against a good and broad peer group. In addition, we get a good basis for an acceptable valuation of the company from Finnish construction company peers. We particularly favor EV/EBIT and P/E multiples in the valuation. P/B valuation is not very relevant in our view due to the light balance sheet structure, but for earnings neutral multiples, sales-based (EV/S) valuation can serve as a good level of valuation support in our view.

In our view, the expected return on Kreate's share continues to justify share purchases. In the short term, we believe that the upside is not extremely high given the uncertainty in the construction market, but at the same time the long-term potential of the company is also not given much weight by the current share price, which is reflected, e.g., in the much higher value of our DCF calculation.

## Acceptable valuation

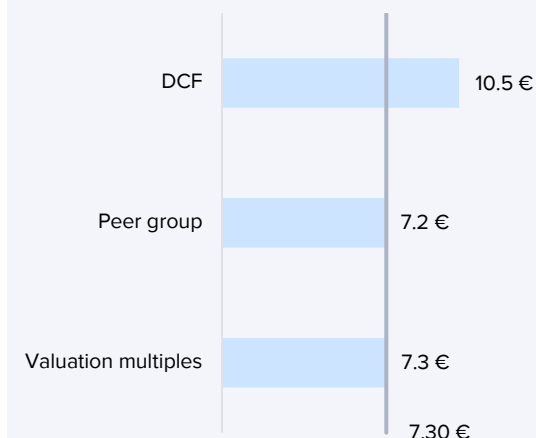
Kreate has a light balance sheet structure, a reasonably low capital-intensive business and the company generates good cash flow. In line with trends, the sector has good growth prospects in the medium term and Kreate's profitability is at a good level in the context of the industry. We therefore see that, despite the company's small

size and young age, at least the historical multiples of its Finnish peers can be accepted for Kreate.

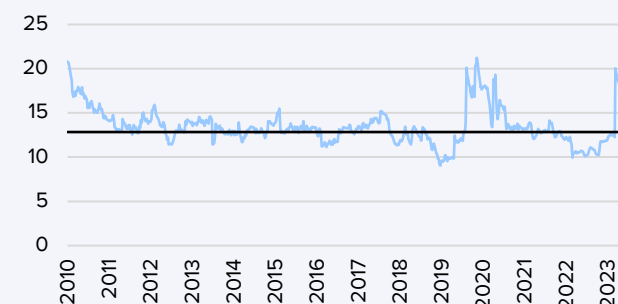
On the right, we have compiled the long-term forward-looking valuation patterns for the Finnish construction sector, which we use as the basis for determining an acceptable valuation level. As can also be seen from the graphs, the multiples rise sharply during years of poor forecast performance (COVID). Also at present, the multiples are very high due to the low level of the earnings component. This means that next year is still expected to be very weak in terms of earnings. At the same time, share prices have fallen sharply, but this has not been enough to compensate for the turn for the worse seen in earnings.

However, we believe that the averages provide a good basis for an acceptable valuation. Since 2010 the forward-looking EV/EBIT ratio has been about 13x and the P/E ratio about 13x. Low interest rates and a lack of investment alternatives have contributed to the increase in accepted multiples in the 2010s. With interest rates now higher and required returns rising, the sector's multiples have also fallen sharply. In addition, dip years (years of poor performance) raise the multiples to unsustainable levels and also affect the averages. In that sense, we think that multiples of 12x are reasonably neutral over the cycle.

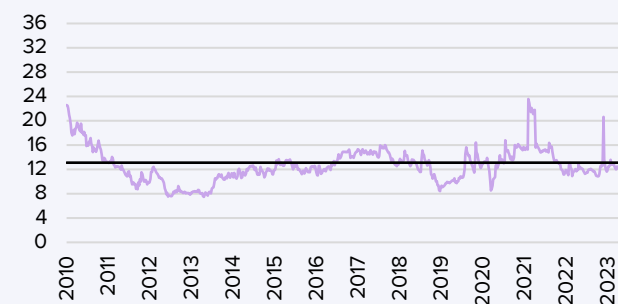
## Target price breakdown



## Sector FW EV/EBIT



## Sector FW P/E



# Valuation 2/4

In our view, this level (12x) now serves as a good starting point for both multiples when considering Kreate's valuation, but currently the level is chiefly the upper limit of the range. Our acceptable valuation fork for Kreate is: P/E 10-12x and EV/EBIT: 10-12x. Kreate operates in a counter-cyclical sector and has a proven track record of strong returns on capital and above-market growth. However, the current weak earnings situation, combined with market risks, limits the upside potential of the multiples at present.

There may be upside to an acceptable valuation if the company manages to continue to grow historically while sustainably raising its profitability above our expectations or above its targets. In our view, however, the pressure on capital market valuations should also ease (falling/stabilizing interest rates, falling required returns), so that a clearly higher valuation would be acceptable.

## Absolute multiples

Kreate's performance remains weak in 2023 and the valuation rises to a high level (23e: EV/EBIT: 13x, P/E: 17x). However, our assessment is that the valuation of KREATE is not expensive *per se*, but rather a lower-than-normal level of performance. Therefore, we are already looking at the normalized results of the coming years in our valuation.

Given the earnings growth that we forecast, the valuation of the share is already at a moderate level in 2024 (2024e: EV/EBIT: 10x, P/E: 11x). We believe the valuation is moderate, especially given that Kreate's earnings level is lower than the sustainable

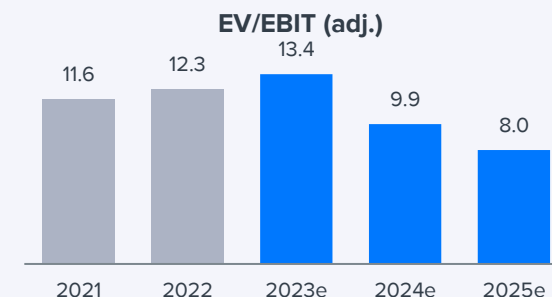
earnings level (over-cycle EBITA% +4%) next year (2024e EBITA%: 3.1%). The stock would have upside based on the mid-point of our range (EV/EBIT: 10-12x, P/E: 10-12x).

The volume-based EV/sales multiple is relatively low, although it is difficult to justify a very high valuation on this basis. However, the company's Finnish peers have been valued at around 0.5x in 2010, which we believe is a reasonably good support level for Kreate as well. The valuation, currently at 0.3x, would also have upside potential on this basis. However, we use the EV/Sales ratio mainly as support for other valuation.

We expect the absolute dividend to decline with the weak performance, but the dividend yield to remain at a healthy level of around 5% in the coming years. In our view, however, the dividend is not the most important driver for the stock, although it does provide support for expected returns in the coming years. However, we see the company prioritizing its cash flow for profitable growth investments (acquisitions, new businesses) in the coming years, so we would not be significantly disappointed if dividends were even lower than our expectations.

Valuation	2023e	2024e	2025e
Share price	6.84	6.84	6.84
Market cap	61	61	61
EV	94	93	90
P/E (adj.)	17.1	10.9	8.6
P/B	1.5	1.4	1.3
EV/Sales	0.3	0.3	0.3
EV/EBITDA	7.3	6.1	5.2
EV/EBIT (adj.)	13.4	9.9	8.0
Payout ratio (%)	74.9 %	55.9 %	50.2 %
Dividend yield-%	4.4 %	5.1 %	5.8 %

Source: Inderes



Source: Inderes

# Valuation 3/4

## Peer group

A reasonably good peer group of Nordic listed companies in the industry is available for Kreate. In our view, the most suitable peers are Finnish construction companies with the same market and also Nordic infrastructure companies. However, the list also includes larger Nordic players such as Skanska, NCC and PEAB.

Looking ahead to 2024, we believe the valuation level of peers is reasonably neutral (2024e median EV/EBIT: 11x, P/E: 12x). Relative to the 2024e median multiples for the peer group, Kreate is valued at around 5% below the peer level, but the differences in valuations between peers are currently large.

The peer group shows that for steadily performing companies, valuation levels do not vary significantly from year to year. However, as is typical in the construction industry, some companies' performance levels vary significantly from year to year. This means that not every company's valuation level can be directly relied upon. The business mix is also different for a large part of the group compared to Kreate and to some extent more risky (more cyclical construction).

## Kreate should be priced at least at the level of peers

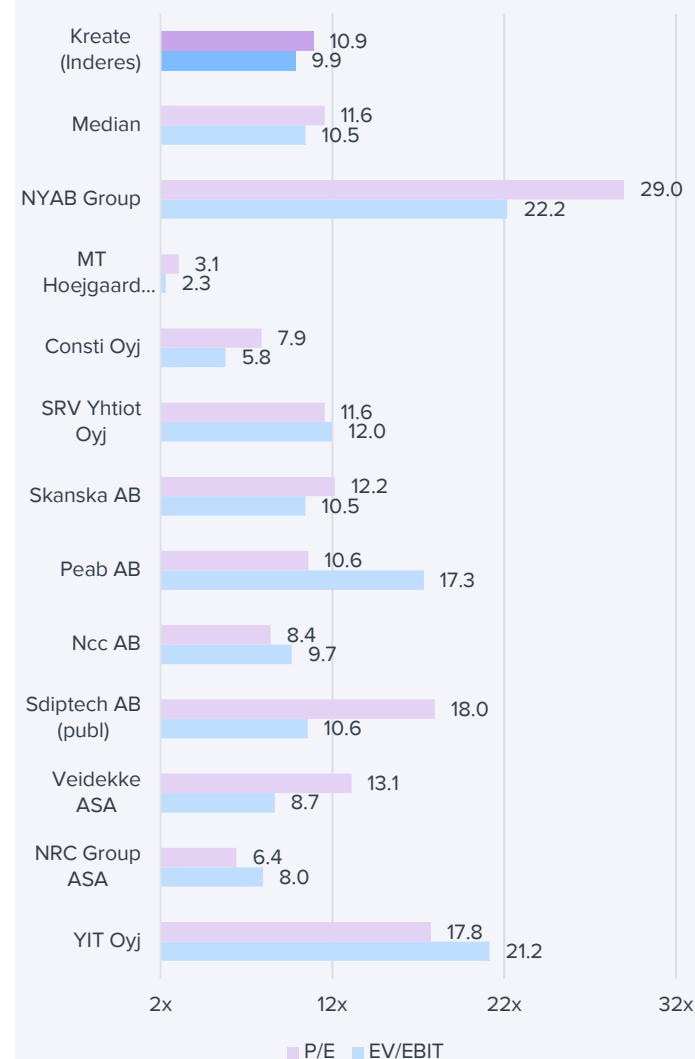
We believe it is justified to price Kreate at least at the level of the peer group. Kreate's profitability and growth have been stronger than its peers in recent years and the company is currently in a growth phase.

However, the company's development and expansion phase, the Group's short history, the

smaller size compared to some peers, and the more concentrated business decrease the acceptable level.

For these reasons, we value Kreate at the same level as its peers (0%). Against this background, the current discount of more than 5% in the company's valuation would offer some upside. However, in the current environment of cost inflation and market demand uncertainty, earnings forecasts are subject to a very high degree of risk. In this sense, we think that relative valuation should be treated with caution, and we do not give it much weight now. However, the level of peers is already considered to some extent in the absolute valuation of Kreate.

Peer group 2024e



Source: Refinitiv (consensus), Inderes

# Valuation 4/4

## DCF valuation

We also use DCF in the valuation. However, the DCF model is sensitive to variables such as the terminal period, which investors should take into account. In our model, the company's net sales growth stabilizes at 1.5% in the terminal period after stronger medium-term growth, and the EBIT margin is 4.0% of net sales. This is below the company's target EBITA margin of over 5%, but we also do not see the company achieving this on a sustainable basis based on current evidence. The average cost of capital (WACC) used is 9.0% and the cost of equity is 11.0%.

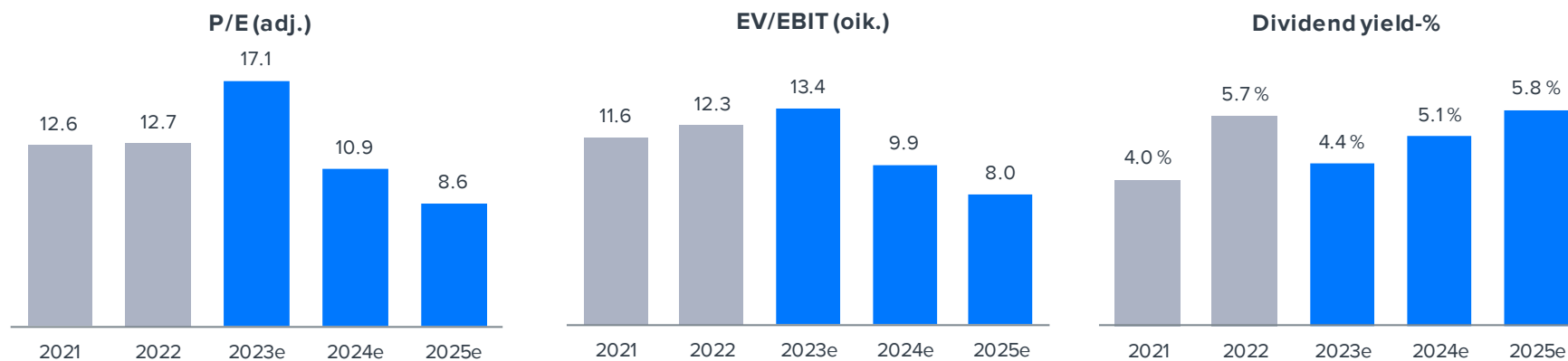
Our DCF model indicates a share value of EUR 10.5. The value indicated by the DCF is well above the current share price and our target price. However, we do not think our assumptions are too optimistic in the long run over a weaker market period. To justify the current share price, terminal profitability would have to fall to 2.5% (other things being unchanged), which we believe is far too pessimistic an assumption in the longer term. This gives investors some peace of mind, as the market expects profitability to remain at current low levels in perpetuity, which we believe is unlikely.

If we were to raise the long-term terminal profitability to the 5% limit of Kreate's target level, the value of our DCF calculation (other things being unchanged) would rise to almost EUR 14. However, we do not see that the stock has the drivers over a 12-month time horizon to rise to reflect the long-term potential we see in the company. Therefore, our target price is significantly below the value indicated by the DCF calculation.

# Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price				11.4	8.09	<b>6.84</b>	<b>6.84</b>	<b>6.84</b>	<b>6.84</b>
Market cap				99	73	<b>61</b>	<b>61</b>	<b>61</b>	<b>61</b>
EV				120	106	<b>94</b>	<b>93</b>	<b>90</b>	<b>87</b>
P/E (adj.)				12.6	12.7	<b>17.1</b>	<b>10.9</b>	<b>8.6</b>	<b>7.8</b>
P/B				2.4	1.7	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>
EV/Sales				0.5	0.4	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
EV/EBITDA				8.4	7.8	<b>7.3</b>	<b>6.1</b>	<b>5.2</b>	<b>4.7</b>
EV/EBIT (adj.)				11.6	12.3	<b>13.4</b>	<b>9.9</b>	<b>8.0</b>	<b>7.2</b>
Payout ratio (%)				56.4 %	72.4 %	<b>74.9 %</b>	<b>55.9 %</b>	<b>50.2 %</b>	<b>50.0 %</b>
Dividend yield-%				4.0 %	5.7 %	<b>4.4 %</b>	<b>5.1 %</b>	<b>5.8 %</b>	<b>6.4 %</b>

Source: Inderes



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/Liikevaihto		P/E		Dividend yield-%		P/B
			2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
YIT Oyj	397	1378	29.5	21.2	20.4	15.7	0.6	0.7	117.6	17.8	6.1	6.4	0.5
NRC Group ASA	72	157	10.4	8.0	4.8	4.2	0.3	0.3	9.5	6.4	4.4	6.5	0.3
Veidekke ASA	1184	1063	9.5	8.7	5.3	5.0	0.3	0.3	14.4	13.1	7.7	7.4	4.7
Sdiptech AB (publ)	814	814	11.3	10.6	8.3	7.8	2.0	1.8	19.9	18.0			2.5
Ncc AB	1023	1432	10.8	9.7	5.4	5.6	0.3	0.3	7.8	8.4	5.6	6.0	1.4
Peab AB	1302	3088	13.6	17.3	8.8	9.9	0.6	0.6	7.4	10.6	5.5	5.5	1.0
Skanska AB	6135	6038	15.0	10.5	10.6	7.6	0.4	0.4	16.7	12.2	4.1	4.4	1.2
SRV Yhtiot Oyj	71	222		12.0	110.9	9.4	0.4	0.3		11.6		2.6	0.6
Consti Oyj	78	75	5.8	5.8	4.4	4.7	0.2	0.2	8.3	7.9	6.4	6.9	1.9
MT Hoejgaard Holding A/S	116	123	2.5	2.3	1.7	1.6	0.1	0.1	10.8	3.1			1.1
NYAB Group	540	530	27.8	22.2	23.4	19.3	1.8	1.6	36.7	29.0	1.1	1.3	2.7
<b>Kreate (Inderes)</b>	<b>61</b>	<b>94</b>	<b>13.4</b>	<b>9.9</b>	<b>7.3</b>	<b>6.1</b>	<b>0.3</b>	<b>0.3</b>	<b>17.1</b>	<b>10.9</b>	<b>4.4</b>	<b>5.1</b>	<b>1.5</b>
<b>Average</b>			<b>13.6</b>	<b>11.6</b>	<b>18.5</b>	<b>8.2</b>	<b>0.6</b>	<b>0.6</b>	<b>24.9</b>	<b>12.5</b>	<b>5.1</b>	<b>5.2</b>	<b>1.6</b>
<b>Median</b>			<b>11.0</b>	<b>10.5</b>	<b>8.3</b>	<b>7.6</b>	<b>0.4</b>	<b>0.3</b>	<b>12.6</b>	<b>11.6</b>	<b>5.6</b>	<b>6.0</b>	<b>1.2</b>
<b>Diff-% to median</b>			<b>21%</b>	<b>-6%</b>	<b>-12%</b>	<b>-20%</b>	<b>-18%</b>	<b>2%</b>	<b>36%</b>	<b>-6%</b>	<b>-21%</b>	<b>-14%</b>	<b>21%</b>

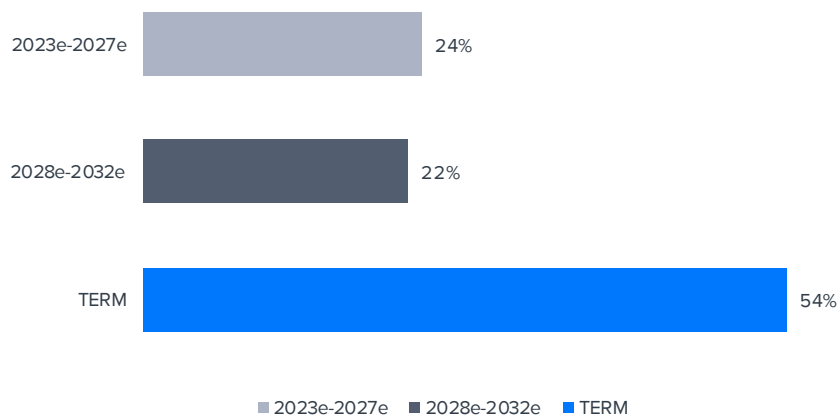
Source: Refinitiv / Inderes



# DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	15.3 %	19.2 %	-6.4 %	2.2 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	3.1 %	2.1 %	3.1 %	3.6 %	3.7 %	3.5 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %
<b>EBIT (operating profit)</b>	<b>8.6</b>	<b>7.0</b>	<b>9.4</b>	<b>11.2</b>	<b>12.0</b>	<b>11.6</b>	<b>13.6</b>	<b>13.9</b>	<b>14.2</b>	<b>14.5</b>	<b>14.7</b>	
+ Depreciation	5.0	5.8	5.9	6.1	6.6	6.9	7.1	7.3	7.5	7.6	7.7	
- Paid taxes	-1.3	-1.3	-1.6	-2.0	-2.0	-1.9	-2.3	-2.4	-2.4	-2.5	-2.5	
- Tax, financial expenses	-0.3	-0.4	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	
+ 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	-4.1	4.3	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Operating cash flow</b>	<b>7.9</b>	<b>15.3</b>	<b>13.3</b>	<b>16.4</b>	<b>16.2</b>	<b>16.2</b>	<b>18.1</b>	<b>18.5</b>	<b>18.9</b>	<b>19.2</b>	<b>19.5</b>	
+ Change in other long-term liabilities	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-12.8	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	
<b>Free operating cash flow</b>	<b>-5.6</b>	<b>7.3</b>	<b>5.2</b>	<b>8.4</b>	<b>8.1</b>	<b>8.2</b>	<b>10.1</b>	<b>10.5</b>	<b>10.8</b>	<b>11.2</b>	<b>11.5</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-5.7	7.3	5.2	8.4	8.1	8.2	10.1	10.5	10.8	11.2	11.5	156
<b>Discounted FCFF</b>		<b>7.2</b>	<b>4.8</b>	<b>7.0</b>	<b>6.3</b>	<b>5.8</b>	<b>6.5</b>	<b>6.2</b>	<b>5.9</b>	<b>5.6</b>	<b>5.3</b>	<b>71.5</b>
Sum of FCFF present value		132	125	120	113	107	101	94.4	88.2	82.3	76.7	71.5
<b>Enterprise value DCF</b>		<b>132</b>										
- Interest bearing debt		-42.8										
+ Cash and cash equivalents		9.4										
-Minorities		0.1										
-Dividend/capital return		-4.1										
<b>Equity value DCF</b>		<b>94.6</b>										
<b>Equity value DCF per share</b>		<b>10.5</b>										

## Cash flow distribution



## WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	25.0 %
Cost of debt	3.5 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>11.0 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>9.0 %</b>

Source: Inderes

# Summary

Income statement	2021	2022	2023e	2024e	Per share data	2021	2022	2023e	2024e
Revenue	237.6	273.9	326.4	305.5	EPS (reported)	0.80	0.64	0.40	0.63
EBITDA	14.2	13.6	12.8	15.4	EPS (adj.)	0.90	0.64	0.40	0.63
EBIT	10.3	8.6	7.0	9.4	OCF / share	0.74	0.88	1.71	1.48
PTP	8.2	6.7	4.5	7.1	FCF / share	0.19	-0.63	0.81	0.58
Net Income	6.9	5.7	3.6	5.6	Book value / share	4.72	4.75	4.69	5.02
Extraordinary items	0.0	0.0	0.0	0.0	Dividend / share	0.45	0.46	0.30	0.35
Balance sheet	2021	2022	2023e	2024e	Growth and profitability	2021	2022	2023e	2024e
Balance sheet total	106.6	134.5	142.8	139.2	Revenue growth-%	1%	15%	19%	-6%
Equity capital	41.1	42.6	42.1	45.0	EBITDA growth-%	2%	-4%	-6%	20%
Goodwill	35.6	40.0	40.0	40.0	EBIT (adj.) growth-%	0%	-17%	-18%	35%
Net debt	20.9	33.4	32.4	31.7	EPS (adj.) growth-%	3%	-29%	-37%	56%
Cash flow	2021	2022	2023e	2024e	EBITDA-%	6.0 %	5.0 %	3.9 %	5.0 %
EBITDA	14.2	13.6	12.8	15.4	EBIT (adj.)-%	4.4 %	3.1 %	2.1 %	3.1 %
Change in working capital	-6.3	-4.1	4.3	0.0	EBIT-%	4.4 %	3.1 %	2.1 %	3.1 %
Operating cash flow	6.4	7.9	15.3	13.3	ROE-%	20.5 %	13.6 %	8.5 %	12.9 %
CAPEX	-5.9	-12.8	-8.0	-8.0	ROI-%	15.8 %	11.2 %	8.1 %	10.7 %
Free cash flow	1.7	-5.7	7.3	5.2	Equity ratio	38.6 %	31.6 %	29.5 %	32.3 %
Valuation multiples	2021	2022	2023e	2024e	Gearing	50.9 %	78.5 %	76.9 %	70.5 %
EV/S	0.5	0.4	0.3	0.3					
EV/EBITDA (adj.)	8.4	7.8	7.3	6.1					
EV/EBIT (adj.)	11.6	12.3	13.4	9.9					
P/E (adj.)	12.6	12.7	17.1	10.9					
P/B	2.4	1.7	1.5	1.4					
Dividend-%	4.0 %	5.7 %	4.4 %	5.1 %					

Source: Inderes

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Date	Recommendation	Target	Share price
11/22/2021	Buy	13.00 €	10.75 €
11/24/2021	Buy	13.00 €	11.45 €
1/27/2022	Accumulate	13.00 €	11.75 €
4/27/2022	Buy	12.00 €	9.00 €
7/28/2022	Buy	12.00 €	8.80 €
10/4/2022	Buy	11.00 €	8.02 €
10/27/2022	Buy	11.00 €	8.45 €
11/21/2022	Accumulate	10.50 €	8.92 €
1/12/2023	Accumulate	10.50 €	9.05 €
2/1/2023	Accumulate	10.50 €	9.30 €
5/2/2023	Accumulate	9.00 €	7.94 €
7/12/2023	Reduce	7.90 €	7.58 €
7/20/2023	Accumulate	7.90 €	7.44 €
10/26/2023	Accumulate	7.00 €	6.32 €
11/28/2023	Accumulate	7.30 €	6.84 €



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