

KH Group

Company report

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This report is a summary translation of the report "Tyttäret osoittivat turnauskestävyyttään" published on 11/2/2023 at 8:47 am EET

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Subsidiaries showed their resilience

The net sales of KH Group's largest holdings weakened as expected, but the subsidiaries' profitability held their own better than expected and HTJ put forward really strong performance. Our view of the value of the sum of the parts did not change significantly as the calculation indicated a value of some EUR 0.98 per share. KH Group's short-term outlook is difficult, but looking beyond the cycle, the conditions for value creation are good thanks to the dismantling of the Group structure. We reiterate our Accumulate recommendation and EUR 0.90 target price.

Net sales under pressure, but subsidiaries' profitability held their own surprisingly well

KH Koneet's and Indoor Group's net sales decreased as expected, driven by weak demand, but for KH Koneet, the drop was greater than we expected due to the weakness of machinery sales and Swedish businesses, while Indoor exceeded our forecast as the Sotka chain performed clearly better than the market. HTJ surprised us with fierce growth consisting of both organic and inorganic growth, while NRG performed as expected. In terms of profitability, KH Koneet's performance held its own despite the large drop in net sales and exceeded our expectations due to an improved sales mix (other sales sources have better margins than machinery sales). Indoor Group clearly exceeded our forecast of weak profitability, which was caused by improved performance compared to the beginning of the year, but we may also have underestimated the seasonal strength of Q3 profitability. Next to HTJ's convincing growth, the EBIT margin rose to a very high level (15.4%), which led to a clear forecast overshoot. However, at this stage, we do not consider a very strong relative profitability level sustainable. NRG's performance was in line with our expectations.

Changes in the sum of the parts were small

Based on Q3, KH Koneet's performance may handle cycles better than we expected, but we want more signs of this. We kept our expectation of the company's fair value at EUR 44 million and our forecast changes were small. In Indoor's case, Q3 profitability was very encouraging, which we feel reduces the balance sheet risk slightly. We slightly raised our profitability forecasts for the next few years and our estimate of Indoor's fair value to EUR 22 million (was 20 MEUR). HTJ's strong performance resulted in positive forecast changes and a larger view of the fair value, while NRG performed in line with our expectations. Due to the complicated business structure our sum of the parts calculation for HTJ and NRG did not consistently consider the all the liabilities attributable to the subsidiaries. Correcting for this resulted in our fair value estimates decreasing slightly despite strong Q3 performance (HTJ 17 MEUR was 19 MEUR, NRG: 1.4 MEUR was 1.9 MEUR).

Next year is not attractive, but over the cycle, the expected return is on the owner's side

Our sum of the parts calculation indicates a value of EUR 0.98 per share for the group. Our company-specific DCF models indicate the following values: KH Koneet 46 MEUR, Indoor 24 MEUR, HTJ 21 MEUR and NRG 1 MEUR. In the short term, we feel it is hard to find upward drivers for the share in the weak construction cycle and weakening earnings levels of the subsidiaries. Looking beyond the cycle, we feel the expected return even turns attractive, and the playbook for doubling the market value can be outlined (Indoor back on its feet, dismantling the group structure, channeling capital to KH Koneet). The duration of the gloom in the construction sector and KH Group's ability to exploit the plight of competitors in creating inorganic value play a key role when determining the return realized beyond the cycle.

Recommendation

Accumulate

(previous Accumulat

EUR 0.90

(previous EUR 90)

Share price:

0.79



Key figures

	2022	2023e	2024e	2025e
EBIT adj.	12.2	11.9	9.9	16.7
EBIT-% adj.	2.8 %	2.9 %	2.4 %	4.0 %
Net Income	14.1	-4.6	1.9	6.7
EPS (adj.)	0.24	0.17	0.03	0.12
P/E (adj.)	4.9	4.8	24.1	6.8
P/B	0.8	0.6	0.6	0.5
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	19.0	16.4	18.5	10.1
EV/EBITDA	19.0	6.1	5.6	4.2

Source: Inderes

Guidance

(Unchanged)

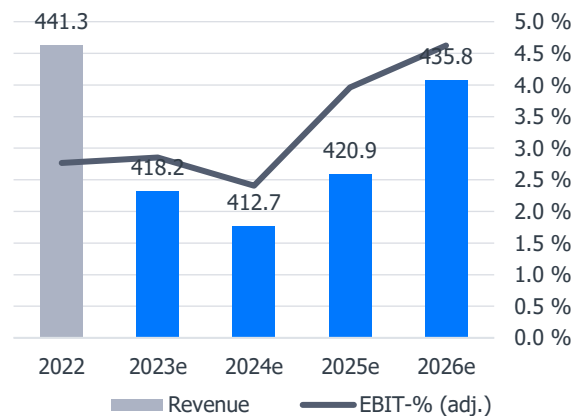
No guidance

Share price



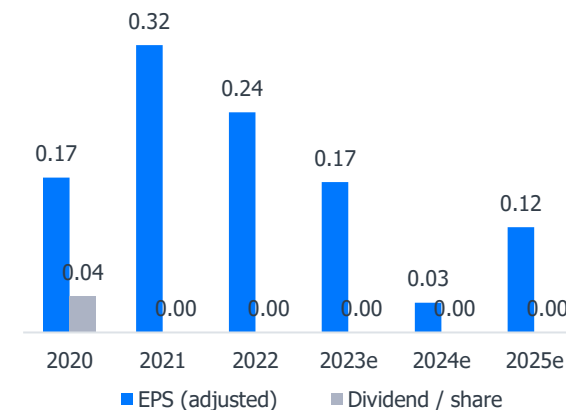
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

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



Risk factors

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

Valuation	2023e	2024e	2025e
Share price	0.79	0.79	0.79
Number of shares, million:	58.1	58.1	58.1
Market cap	46	46	46
EV	196	183	169
P/E (adj.)	4.8	24.1	6.8
P/E	neg.	24.1	6.8
P/B	0.6	0.6	0.5
P/S	0.1	0.1	0.1
EV/Sales	0.5	0.4	0.4
EV/EBITDA	6.1	5.6	4.2
EV/EBIT (adj.)	16.4	18.5	10.1
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

The results held their own well

KH Koneet suffered from the weakening cycle

KH Koneet's net sales decreased significantly and was below our expectations. Based on the company's comments, the weakness of net sales focused on the Swedish business. The demand environment is challenging for KH Koneet due to the increased interest rate level and weakening construction cycle, and the Swedish business also suffers from the weak SEK. According to the company, KH Koneet's Swedish net sales decreased significantly less than in Finland and market share was gained in Finland, while the Swedish business developed in line with the market.

In the midst of the weak machinery trade, rental activities have fared better. Despite a significant drop in net sales, KH Koneet's relative profitability was surprisingly strong and led to a forecast overshoot.

The weakness of the furniture market depressed Indoor, but profitability remained strong

Indoor Group's performance was quite encouraging, and according to the company, Indoor's Sotka chain fared

significantly better than the market, but the challenges of Asko, positioned in the higher price segment, seem to have continued as a result of consumers weakened purchasing power. However, Indoor's slightly decreased net sales exceeded our forecast, which was roughly in line with market development. The company's result held its own clearly better than we expected, partly due to lower ERP-related costs than in the comparison period. According to the company, the order backlog of the Insofa factory that focuses on manufacturing sofas and mattresses, remained strong throughout the review period.

Indoor has received a commitment for an additional EUR 2.75 million investment to strengthen the balance sheet position. KH Group's share of the additional investment is EUR 2.1 million. This was not a surprise and we flagged Indoor's potential capital needs in our previous report. We find it clear that Indoor needs to be supported in a challenging market, but in the short term it is awkward for the investment story that money is now flowing in the wrong direction in Indoor.

The weakness of the construction cycle was not reflected in HTJ's figures

HTJ's figures exceeded estimates clearly driven by strong growth and fantastic profitability. In addition to inorganic growth, the company has also grown organically and has raised its billing rates supported by efficient resource management. However, the September order backlog was lower than in the comparison period, so the company is not immune to the weakness of the construction sector either.

NRG was able to unload its order backlog

NRG's net sales and result met our expectations and Vema Lift's bankruptcy highlighted the profitability of other businesses as expected. According to the company, the order backlog is ahead of the comparison period in Finland and Sweden. The supply chains of rescue vehicles have been restored and delivery times of chassis and components have been predictable according to the company, which has made production planning easier.

Revenue MEUR	Q3'22 Comparison	Q3'23 Actualized	Q3'23e Inderes	Growth Act.	Difference (%) Act. vs. inderes
Indoor Group	52.3	50.6	49.2	-3%	3%
KH-Koneet Group	45.6	35.0	39.6	-23%	-12%
Nordic Rescue Group	3.8	8.2	8.8	116%	-7%
HTJ	5.8	6.5	6.1	11%	6%
Adj. EBIT (IFRS) MEUR	Q3'22 Comparison	Q3'23 Actualized	Q3'23e Inderes	Growth Act.	Difference (%) Act. vs. inderes
Indoor Group	3.8	2.6	-0.5	-32%	na
KH-Koneet Group	2.6	2.0	1.8	-23%	12%
Nordic Rescue Group	-0.6	0.3	0.3	-152%	-3%
HTJ	0.7	1.0	0.5	43%	96%

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

Forecast changes were mainly tinkering

We cut KH Koneet's net sales forecasts, but profitability estimates increased slightly

Due to KH Koneet's weaker Q3 net sales than we expected, we slightly cut our net sales forecasts for the next few years. However, the company's performance withstood better than we expected, as the sales mix in the decelerating construction cycle focused on income sources with higher relative profitability (maintenance, spare part sales, rental activities). In the short term, KH Koneet's outlook is really challenging and, e.g., Volvo expects the construction machinery market in Europe to shrink by 5-15% in 2024.

We find it difficult to assess the cyclicity of the result without fully knowing the company's sales distribution, but we expect to get better visibility on November 29 at the CMD.

Small revisions to Indoor's forecasts

Based on Indoor's clearly stronger Q3 profitability than we expected, our EBIT forecast for 2023 increased significantly, but our forecasts for the coming years remained largely unchanged. At this stage, we find it difficult to assess to what extent the strong Q3 profitability was due to improved performance compared to the beginning of the year and to what extent it is explained by seasonality (Q3'22 was very strong in terms of profitability compared to other quarters, but Q3'21 was in line with Q2).

Positive forecast changes in HTJ, but we do not extrapolate the strong quarter

HTJ's strong Q3 resulted in small positive forecast changes for the next few years. Despite fierce Q3 figures, we did not start extrapolating the company's future to a strong quarter. Q3's EBIT margin of over 15% is a very high level

for an professional services company, which makes us doubt its sustainability.

Based on our interview with the management, nothing exceptionally good occurred in Q3, however, that supported profitability, but rather the company's high billing rates were behind profitability. This can create conditions for future positive surprises if the company can maintain high billing rates.

NRG met expectations

NRG's Q3 was in line with our expectations and we kept the company's forecasts unchanged.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
Revenue (MEUR)	Old	New	%	Old	New	%	Old	New	%
Indoor Group	182	185	1%	184	186	1%	187	189	1%
KH Koneet	176	171	-3%	169	163	-3%	172	167	-3%
HTJ	26.1	26.6	2%	26.5	27.0	2%	27.2	27.7	2%
NRG	35.7	35.7	0%	36.3	36.2	0%	37.2	37.1	0%
Adj. EBIT (MEUR)									
Indoor Group	-3.0	0.8	-126%	2.9	3.2	8%	6.5	6.6	1%
KH Koneet	7.8	8.2	5%	5.2	5.4	3%	7.7	7.5	-3%
HTJ	2.1	2.6	23%	2.0	2.2	11%	2.9	3.0	4%
NRG	1.2	1.3	3%	1.3	1.3	0%	1.3	1.3	0%
Unallocated costs	-2.8	-2.9	4%	-2.0	-2.1	5%	-1.8	-1.8	0%

Source: Inderes

Changes in our sum of the parts calculation

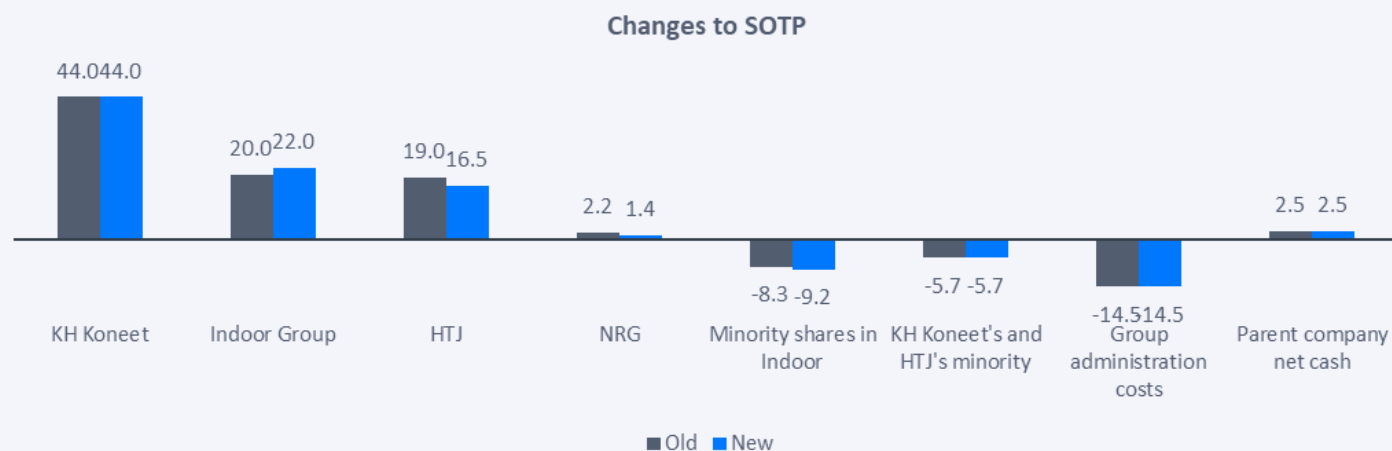
No major drama in KH Koneet and Indoor

We maintained our view of the fair value of KH Koneet at EUR 44 million, while we raised Indoor's fair value to EUR 22 million as the good Q3 report and a well-progressed ERP project reduce the likelihood of a balance sheet risk materializing.

Correction to HTJ's and NRG's balance sheet structure depressed their fair value

The good reports and forecast changes of HTJ and NRG were counterbalanced in our fair value modeling by a change in the companies' balance sheet structures to enable consistent treatment of intra-group liabilities. Due to the complex group structure, we had previously not consistently considered all the debts belonging to the group's subsidiaries. We have adjusted intra-group lending, which increases HTJ's and NRG's net debt and depresses the fair value of equity in our calculation. As a

result, we have also revised the company's financial structures in our DCF models. Changes in our sum of the parts calculation are negative for the companies despite good Q3 performance.



We see many takers for HTJ

We believe divesting HTJ is easiest

We find it likely that HTJ will be the first of KH Group's subsidiaries to be divested by the Group. We estimate that the company attracts interest among strategic buyers and private equity funds. The wide range of potential buyers strengthens KH Group's bargaining power and we, therefore, believe that the Group should take its time in finding a solution that maximizes shareholder value instead of rushing. The bargaining power is also improved by the fact that, in our view, HTJ could be come an independent listed company as is by distributing part of HTJ's shares to KH Group's owners. Admittedly, with its current structure, the company would be a smaller listed company, but a publicly listed share would facilitate value creation through M&A transactions and could accelerate growth to a larger size class.

When it comes to Indoor, we expect management to remain open to all means to maximize shareholder value. However, we consider it very likely that the company will be listed on the stock exchange. This requires that the company's profitability to recover and balance sheet to be delivered. Thus, the potential timing is determined by the recovery of the demand environment.

It is challenging for us to assess an optimal exit time from NRG. After the challenges in recent years and Vema Lift's bankruptcy, we believe that evidence of the turnaround progressing would strengthen KH Group's bargaining power when selling the company. We suspect it can be challenging to find a motivated buyer for NRG, which lowers the threshold to grab offers that KH Group receives. Thus, we feel it is hardest to assess the timing of an exit from NRG.

We have estimated that normalized group administration costs are EUR 1.6 million, which we have discounted at an 11% cost of capital from now to eternity. Expenditure has been slightly higher in recent years, but we expect it to fall when the strategy is clear and as it progresses. One could argue for a larger drop in group costs when the group only includes KH Koneet. We believe that this approach is logical, but the challenge we see is new administrative costs that would arise if another subsidiary would be listed on the stock exchange.

Formation of sum of the parts (MEUR)	Equity value DCF	Fair value	Net liabilities 2023e	EV 2023e
KH Koneet	46.1	44.0	17.9	61.9
Indoor Group	24.4	22.0	70.7	92.7
HTJ	20.9	16.5	7.5	24.0
NRG	1.5	1.4	12.6	14.0
- Minorities share in Indoor		-9.2		
- KH Koneet's and HTJ's minority		-5.7		
- Group administration costs		-14.5		
+ Parent company net cash		2.5		
= Sum of the parts		57.0		
Group's current market cap		46.0		
Discount to SOTP		-19%		
Per share value indicated by SOTP		0.98 €		

Implicit valuation multiples

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

KH Koneet's valuation anticipates a slowing machinery demand

For KH Koneet, the earnings-based valuation stretches in 2024, as we expect the challenges of the construction sector will only really become visible in the company's performance at that time. With our 2024 estimates the company's valuation is high, but in 2025-26 it turns very attractive in our eyes. We feel KH Koneet has a good track record of value creation and the company should be priced at a premium relative to book value of the balance sheet. We see upside in the balance sheet-based valuation as the growth outlook improves and if the company proves that it can withstand cyclical fluctuations better than we expected. Compared to the peers, KH Koneet's valuation appears very expensive on earnings basis with 2024 forecasts, which we estimate is caused by the deviating demand cycles of the comp However, on a balance sheet basis, the company's valuation is at a steep discount to the listed peers.

Turnaround company status is reflected in Indoor's valuation

In terms of EBITDA, Indoor seems cheap with our 2024 forecasts, although due to the high depreciation/EBITDA ratio, the ratio may be misleading and our net profit forecast is barely positive for next year. Indoor has generated high profitability in recent years, but due to the company's elevated risk profile and weakened performance, we consider it justified that the company is currently priced without a discount to book value. In the short term, the forecast risk is also elevated due to the ERP project that is in a critical stage. As performance recovers and the balance sheet strengthens, we see all prerequisites for balance sheet-based premium pricing and a clear upside relative to the current value.

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

Due to HTJ's very capital-light business model, we prefer EV-based earnings multiples when assessing its valuation. With the company-specific market value of EUR 16.5 million, HTJ is priced at a discount of around 9-29% compared to the peers. Due to the small size of the company and the current ownership structure, we believe it should be priced at a discount compared to the listed peers. Our DCF model, on the other hand, indicates a value of approximately EUR 21 million for the company. The businesses' resilience to cyclical risk is somewhat unclear to us in HTJ, but according to the Q3 report, infrastructure construction and public sector premises account for over 60% of net sales, limiting fluctuation.

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

NRG's turnover- and earnings-based valuation multiples are low, which is explained by the company's high risk profile and turnaround status. Assessing the company's sustainable performance is extremely difficult with the current track record, which we feel should be reflected in acceptable valuation multiples.

KH Koneet	2023e	2024e	2025e	2026e
EV/ Sales	0.4	0.4	0.3	0.3
EV/EBITDA	6.8	9.4	6.3	4.5
EV/Adj. EBIT	8.4	12.7	7.8	5.4
Adj. P/E	9.0	14.7	8.8	6.4
P/B	1.1	1.0	1.0	0.9

Indoor Group	2023e	2024e	2025e	2026e
EV/ Sales	0.5	0.5	0.4	0.3
EV/EBITDA	5.1	4.1	3.0	2.4
EV/EBIT	118.8	27.0	11.2	8.2
P/E	-10.5	217.0	6.7	4.8
P/B	0.7	0.7	0.7	0.6

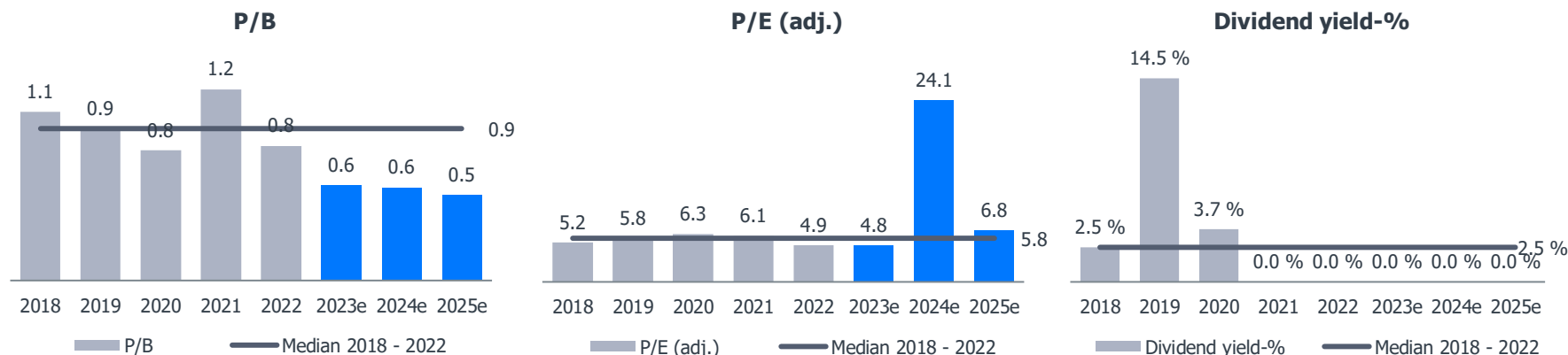
HTJ	2023e	2024e	2025e	2026e
EV/ Sales	0.9	0.8	0.7	0.6
EV/EBITDA	9.0	9.8	6.4	5.2
EV/Adj. EBIT	9.5	10.5	6.7	5.4
Adj. P/E	9.0	10.7	7.2	6.6
P/B	1.8	1.8	1.7	1.5

NRG	2023e	2024e	2025e	2026e
EV/ Sales	0.4	0.4	0.4	0.4
EV/EBITDA	8.8	8.9	8.7	8.4
EV/Adj. EBIT	11.3	11.5	11.3	10.9
Adj. P/E	13.1	8.2	7.5	3.6
P/B	-1.4	-0.6	-0.4	-0.3

Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	1.22	1.28	1.08	1.92	1.18	0.79	0.79	0.79	0.79
Number of shares, millions	57.8	57.8	58.0	58.1	58.1	58.1	58.1	58.1	58.1
Market cap	70	74	63	112	69	46	46	46	46
EV	74	42	54	116	232	196	183	169	156
P/E (adj.)	5.2	5.8	6.3	6.1	4.9	4.8	24.1	6.8	4.7
P/E	5.2	5.8	6.3	6.1	4.9	neg.	24.1	6.8	4.7
P/B	1.1	0.9	0.8	1.2	0.8	0.59	0.58	0.5	0.5
P/S	19.0	>100	19.6	9.7	0.2	0.1	0.1	0.1	0.1
EV/Sales	19.9	83.3	16.9	10.1	0.5	0.5	0.4	0.4	0.4
EV/EBITDA	4.5	2.6	4.6	5.8	19.0	6.1	5.6	4.2	3.6
EV/EBIT (adj.)	4.5	2.6	4.6	5.8	19.0	16.4	18.5	10.1	7.7
Payout ratio (%)	12.8 %	83.5 %	23.4 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Dividend yield-%	2.5 %	14.5 %	3.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Inderes



*NB! 2018-2021 figures are based on the investment company's reporting and therefore not comparable.

The figures for 2022-H1'23 consist of pro forma figures from different subsidiaries, and the 2022 balance sheet consists of the conglomerate's 20230'H1 balance sheet.

We believe that the P/B ratio of the estimates is best compared to historical figures.

Peer group valuation 1/2

Indoor's peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Yhtiö	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
SURTECO GROUP (XET)	234	608	31.2	9.7	7.8	5.0	0.7	0.7	123.2	7.2	0.6
NOBIA	119	477	20.5	13.6	6.3	4.6	0.4	0.4	80.4	30.4	0.3
MAISONS DU MONDE	186	887	21.2	16.1	4.6	4.2	0.8	0.7	12.5	7.7	0.3
LEON'S FURNITURE	786	1026	NA	NA	4.8	4.5	0.6	0.6	8.2	7.3	NA
WILLIAMS-SONOMA	9118	8632	6.0	7.5	5.3	6.3	1.0	1.2	9.1	10.7	5.9
Indoor Group (Inderes, IFRS)	44	93	118.8	27.0	5.1	4.1	0.5	0.5	-10.5	217.0	0.7
Average			19.7	11.7	5.7	4.9	0.7	0.7	46.7	12.6	1.8
Median			20.8	11.7	5.3	4.6	0.7	0.7	12.5	7.7	0.5
<i>Diff-% to median</i>			<i>470%</i>	<i>131%</i>	<i>-4%</i>	<i>-12%</i>	<i>-28%</i>	<i>-30%</i>		<i>2719%</i>	<i>62%</i>

NRG's peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Yhtiö	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
ROSENBAUER INTL.	207	676	18.8	12.1	10.3	7.8	0.6	0.6	13.3	6.8	1.1
OSHKOSH	5429	6372	8.1	7.3	6.8	6.3	0.7	0.7	9.9	8.8	1.7
REV GROUP	799	958	9.0	7.2	7.3	6.0	0.4	0.4	12.1	9.3	1.9
NRG (Inderes, FAS)	1	14	11.3	11.5	8.8	8.9	0.4	0.4	13.1	8.2	-1.4
Average			12.0	8.9	8.1	6.7	0.6	0.5	11.8	8.3	1.5
Median			9.0	7.3	7.3	6.3	0.6	0.6	12.1	8.8	1.7
<i>Diff-% to median</i>			<i>25%</i>	<i>57%</i>	<i>20%</i>	<i>41%</i>	<i>-38%</i>	<i>-33%</i>	<i>8%</i>	<i>-6%</i>	

Peer group valuation 2/2

HTJ's peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Yhtiö	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
SITOWISE GROUP	98	181	12.5	10.4	7.0	6.5	0.9	0.9	11.7	9.4	0.8
SWECO B	3154	3725	17.2	15.0	12.5	11.6	1.6	1.4	19.8	16.8	3.4
AFRY	1122	1756	11.8	10.7	7.5	7.1	0.8	0.8	11.1	9.7	1.0
REJLERS B	219	274	12.1	10.5	7.3	6.6	0.8	0.7	13.3	11.5	1.4
WSP GLOBAL	15415	18356	26.2	22.8	14.1	12.8	2.5	2.3	26.8	23.3	3.5
ETTEPLAN	349	420	15.6	14.0	9.1	8.4	1.2	1.1	17.3	15.4	3.0
ARCADIS	3610	4790	14.0	12.3	9.9	9.0	1.0	1.0	15.3	13.3	3.0
SOLWERS	32	14	2.8	2.8	1.8	1.8	0.2	0.2	13.0	12.0	0.8
HTJ (Inderes, FAS)	17	24	9.5	10.5	9.0	9.8	0.9	0.8	9.0	10.7	1.8
Average			14.0	12.3	8.6	8.0	1.1	1.1	16.0	13.9	2.1
Median			13.3	11.5	8.3	7.8	0.9	0.9	14.3	12.7	2.2
<i>Diff-% to median</i>			-28%	-9%	9%	27%	0%	-13%	-37%	-16%	-16%

KH Koneet's peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Sales		P/E		P/B
Yhtiö	MEUR	MEUR	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2023e
UNITED RENTALS	26053	37164	9.9	9.6	5.8	5.6	2.8	2.7	10.0	9.5	3.4
H&E EQUIPMENT SERVICES	1404	2711	10.5	9.7	4.3	4.0	2.0	1.8	9.0	8.2	2.9
MCGRATH RENTCORP	2331	2961	15.5	13.7	9.9	9.4	3.8	3.7	21.8	18.6	NA
SPEEDY HIRE	160	364	9.0	8.2	3.1	2.9	0.7	0.7	8.6	5.8	0.7
VP	230	451	8.3	7.6	3.7	3.4	1.1	1.0	6.5	6.3	1.2
WETTERI OYJ	67	186	14.7	16.2	8.0	8.1	0.4	0.4	11.5	12.9	2.1
BILIA A	844	1451	10.4	9.9	6.7	6.4	0.5	0.7	9.4	8.6	2.1
KH Koneet (Inderes, FAS)	44	62	8.4	12.7	6.8	9.4	0.4	0.4	9.0	14.7	1.1
Average			9.8	9.4	5.2	5.0	1.4	1.4	9.6	8.7	1.8
Median			10.2	9.6	5.0	4.8	0.9	0.9	9.2	8.4	2.1
<i>Diff-% to median</i>			-17%	32%	36%	96%	-60%	-59%	-2%	76%	-48%

Income statement*

Income statement	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	99.5	116	108	118	441	103	106	100	109	418	413	421	436
KH Koneet	42.4	54.8	45.6	51.8	195	43.4	46.1	35.0	46.6	171	163	167	175
Indoor Group	45.6	47.2	52.3	47.1	192	43.6	44.0	50.6	46.6	185	186	189	194
HTJ	4.7	5.8	5.8	6.7	23.1	6.1	7.0	6.5	6.9	26.6	27.0	27.7	28.4
Nordic Rescue Group	6.8	8.4	3.8	12.5	31.5	9.9	8.8	8.2	8.8	35.7	36.2	37.1	38.2
EBITDA						9.4	9.6	2.5	10.8	32.3	33.0	39.9	43.6
Depreciation						-8.2	-8.4	-9.3	-8.4	-34.3	-23.1	-23.2	-23.4
EBIT (excl. NRI)	-0.5	2.9	6.0	3.8	12.2	1.2	3.2	5.1	2.4	11.9	9.9	16.7	20.2
EBIT	-0.5	2.9	6.0	3.8	12.2	1.2	1.2	-6.8	2.4	-2.0	9.9	16.7	20.2
KH Koneet	1.6	3.7	2.6	2.9	10.8	1.9	2.3	2.0	2.0	8.2	5.4	7.5	9.6
Indoor Group	-1.5	-1.2	3.8	-0.1	1.0	-0.6	-1.5	2.6	0.3	0.8	3.2	6.6	7.8
HTJ	0.5	0.6	0.7	1.0	2.8	0.4	0.6	1.0	0.6	2.6	2.2	3.0	3.2
Nordic Rescue Group	-0.5	0.3	-0.6	0.6	-0.2	0.1	0.6	0.3	0.3	1.3	1.3	1.3	1.3
Unallocated items	-0.6	-0.5	-0.6	-0.6	-2.2	-0.6	-0.8	-12.7	-0.7	-14.8	-2.1	-1.8	-1.8
Net financial items	0.0	-0.1	0.0	-0.1	-0.2	-2.6	-3.5	-2.1	-2.0	-10.2	-7.5	-6.5	-5.4
PTP	-0.5	2.8	6.0	3.8	12.0	-1.4	-2.3	-8.9	0.4	-12.2	2.4	10.1	14.7
Taxes	0.5	0.6	0.6	0.4	2.1	0.5	0.4	2.2	-0.1	3.0	-0.5	-2.0	-2.9
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	1.2	3.2	0.2	4.6	0.0	-1.4	-1.9
Net earnings	0.0	3.4	6.6	4.2	14.1	-0.9	-0.7	-3.2	0.5	-4.3	1.9	6.7	9.9
EPS (adj.)	0.00	0.06	0.11	0.07	0.24	-0.02	0.02	0.15	0.01	0.17	0.03	0.12	0.17
Key figures	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%					17.4 %	3.6 %	-8.8 %	-6.7 %	-7.8 %	-5.2 %	-1.3 %	2.0 %	3.5 %
Adjusted EBIT growth-%					20.2 %	-340.0 %	10.3 %	-14.6 %	-36.3 %	-2.1 %	-16.8 %	67.8 %	20.9 %
EBITDA-%					23.0 %	9.1 %	9.1 %	2.5 %	10.0 %	7.7 %	8.0 %	9.5 %	10.0 %
Adjusted EBIT-%	-0.5 %	2.5 %	5.6 %	3.2 %	2.8 %	1.2 %	3.0 %	5.1 %	2.2 %	2.9 %	2.4 %	4.0 %	4.6 %
Net earnings-%	0.0 %	2.9 %	6.1 %	3.5 %	3.2 %	-0.9 %	-0.7 %	-3.2 %	0.5 %	-1.0 %	0.5 %	1.6 %	2.3 %

Source: Inderes

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

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

Balance sheet*

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	111	213	201	199	197
Goodwill	0.0	37.7	37.7	37.7	37.7
Intangible assets	0.0	65.3	65.3	65.3	65.3
Tangible assets	0.2	104	92.4	92.9	93.7
Associated companies	108	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.8	0.0	0.0	0.0
Deferred tax assets	3.0	5.2	5.2	2.8	0.0
Current assets	1.8	164	149	143	144
Inventories	0.0	112	105	101	101
Other current assets	0.0	7.3	7.3	7.3	7.3
Receivables	0.0	18.8	16.7	14.4	14.7
Cash and equivalents	1.8	26.4	20.9	20.6	21.0
Balance sheet total	113	377	350	342	341

Source: Inderes

Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	93.5	87.8	77.3	79.2	86.0
Share capital	15.2	15.2	15.2	15.2	15.2
Retained earnings	65.4	53.4	49.1	51.0	57.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	12.9	13.0	13.0	13.0	13.0
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	6.2	0.0	0.0	0.0
Non-current liabilities	14.6	128	121	113	105
Deferred tax liabilities	9.1	15.7	15.7	15.7	15.7
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	5.5	110	103	94.8	86.4
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	2.5	2.5	2.5	2.5
Current liabilities	5.2	161	152	150	150
Interest bearing debt	1.0	74.4	68.4	63.2	57.6
Payables	4.2	86.4	83.6	86.7	92.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	113	377	350	342	341

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

DCF calculation 1/4

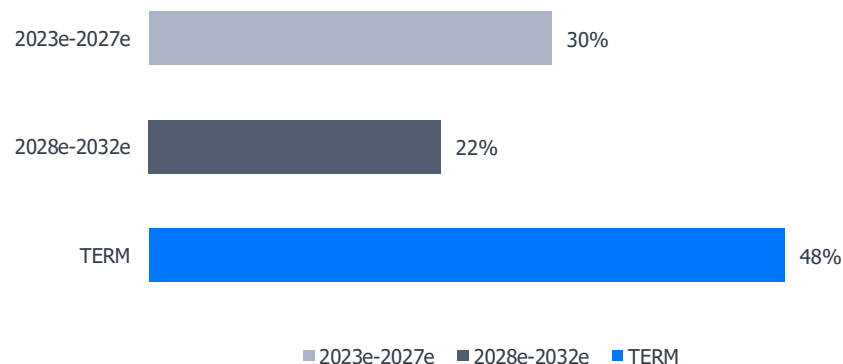
DCF model KH Koneet (FAS)	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	40.1 %	15.2 %	-12.0 %	-4.5 %	2.0 %	5.0 %	4.5 %	4.0 %	3.0 %	2.5 %	2.0 %	1.5 %	1.5 %
EBITDA-%	6.1 %	6.5 %	5.3 %	3.8 %	5.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	5.5 %	5.5 %
EBIT (operating profit)	7.3	8.2	5.7	2.9	5.0	7.1	7.4	8.4	9.8	10.0	10.2	9.4	
+ Depreciation	2.9	4.4	3.4	3.3	3.4	3.5	3.5	3.0	2.0	2.0	2.0	2.1	
- Paid taxes	-1.8	-2.0	-1.5	-0.9	-1.3	-1.8	-1.8	-1.9	-2.0	-2.0	-2.0	-1.9	
- Change in working capital	-3.4	-11.9	1.8	-0.9	-0.4	-2.3	-2.2	-2.0	-1.6	-1.3	-1.1	-0.8	
Operating cash flow	4.6	-2.4	9.4	4.4	6.6	6.5	7.0	7.5	8.2	8.7	9.1	8.7	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-0.9	-7.4	-0.7	-1.6	-1.3	-1.8	-1.9	-2.2	-2.2	-2.2	-2.2	-2.2	
Free operating cash flow	3.7	-9.8	8.7	2.8	5.4	4.7	5.1	5.3	6.1	6.5	6.9	6.5	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	3.7	-9.8	8.7	2.8	5.4	4.7	5.1	5.3	6.1	6.5	6.9	6.5	81.9
Discounted FCFF			8.5	2.5	4.4	3.5	3.5	3.3	3.4	3.4	3.3	2.8	35.4
Sum of FCFF present value			74.0	65.5	63.0	58.6	55.1	51.6	48.3	44.8	41.5	38.2	35.4
Enterprise value DCF			74.0										
- Interest bearing debt			-31.0										
+ Cash and cash equivalents			3.1										
-Minorities			0.0										
-Dividend/capital return			0.0										
Equity value DCF			46.1										

WACC

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	30.0 %
Cost of debt	6.0 %
Equity Beta	1.40
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	11.7 %
Weighted average cost of capital (WACC)	9.6 %

Source: Inderes

Cash flow distribution



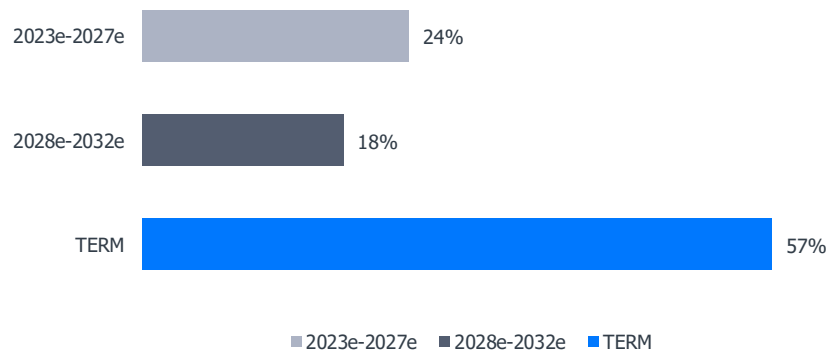
DCF calculation 2/4

DCF model Indoor Group (IFRS)	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.5 %	-6.2 %	-3.8 %	0.7 %	1.8 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	1.5 %	1.0 %	1.0 %
EBIT-%	6.9 %	0.5 %	0.4 %	1.7 %	3.5 %	4.0 %	4.3 %	4.3 %	4.2 %	4.2 %	4.2 %	4.0 %	4.0 %
EBIT (operating profit)	14.1	1.0	0.8	3.2	6.6	7.8	8.6	8.7	8.7	8.9	9.0	8.7	
+ Depreciation	18.3	19.3	17.6	17.7	18.0	18.4	18.9	19.3	19.7	20.1	20.4	20.6	
- Paid taxes	-2.8	-0.2	-0.2	-0.6	-1.3	-1.6	-1.7	-1.7	-1.7	-1.8	-1.8	-1.7	
- Change in working capital	-5.3	-1.6	-2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	21.3	13.7	15.6	20.2	23.3	24.7	25.7	26.3	26.6	27.2	27.6	27.5	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-16.5	-20.9	-13.2	-15.9	-14.9	-16.2	-20.4	-20.5	-20.9	-21.3	-21.3	-21.2	
Free operating cash flow	4.8	-7.2	2.3	4.4	8.4	8.5	5.4	5.8	5.7	5.8	6.2	6.3	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	4.8	-7.2	2.3	4.4	8.4	8.5	5.4	5.8	5.7	5.8	6.2	6.3	107
Discounted FCFF			2.3	4.0	7.2	6.9	4.1	4.1	3.8	3.6	3.6	3.4	57.8
Sum of FCFF present value			101	98.4	94.4	87.2	80.4	76.3	72.2	68.4	64.8	61.2	57.8
Enterprise value DCF			101										
- Interest bearing debt			-82.2										
+ Cash and cash equivalents			5.8										
-Minorities			0.0										
-Dividend/capital return			0.0										
Equity value DCF			24.3										

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

Source: Inderes

Cash flow distribution

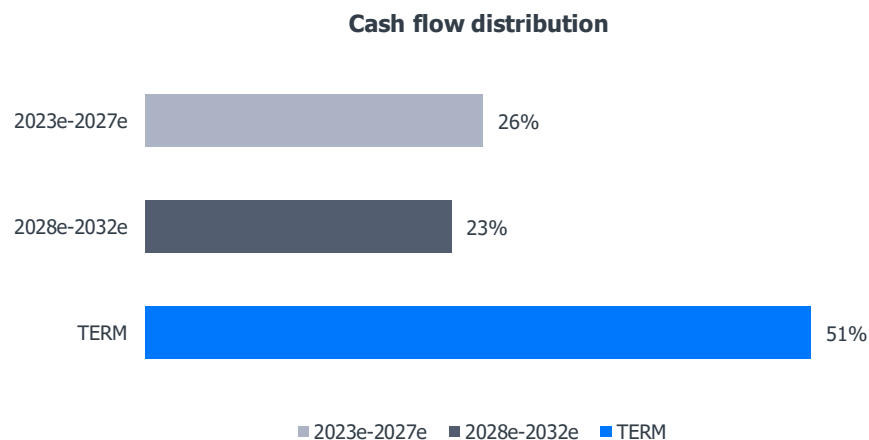


DCF calculation 3/4

DCF model HTJ (FAS)	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	2.8 %	21.7 %	15.0 %	1.5 %	2.6 %	2.5 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBITDA-%	12.4 %	12.5 %	10.0 %	8.3 %	11.1 %	11.5 %	11.2 %	11.2 %	11.2 %	11.1 %	11.0 %	10.5 %	10.5 %
EBIT (operating profit)	2.2	1.0	1.0	0.6	1.4	1.6	1.6	1.7	1.7	3.3	3.3	3.2	
+ Depreciation	0.1	1.9	1.6	1.6	1.6	1.6	1.6	1.6	1.7	0.2	0.2	0.2	
- Paid taxes	-0.4	-0.2	-0.5	-0.4	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.6	
- Change in working capital	1.9	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	3.9	2.4	1.6	1.9	2.5	2.7	2.7	2.7	2.8	2.8	2.8	2.8	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	0.2	-1.9	-1.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
Free operating cash flow	4.1	0.5	0.4	1.7	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.6	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	4.1	0.5	0.4	1.7	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.6	34.6
Discounted FCFF			0.4	1.5	2.0	1.9	1.7	1.6	1.5	1.4	1.3	1.1	14.8
Sum of FCFF present value			29.1	28.7	27.2	25.2	23.3	21.6	20.1	18.6	17.2	15.9	14.8
Enterprise value DCF			29.1										
- Interest bearing debt			-10.5										
+ Cash and cash equivalents			2.3										
-Minorities			0.0										
-Dividend/capital return			0.0										
Equity value DCF			20.9										

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

Source: Inderes



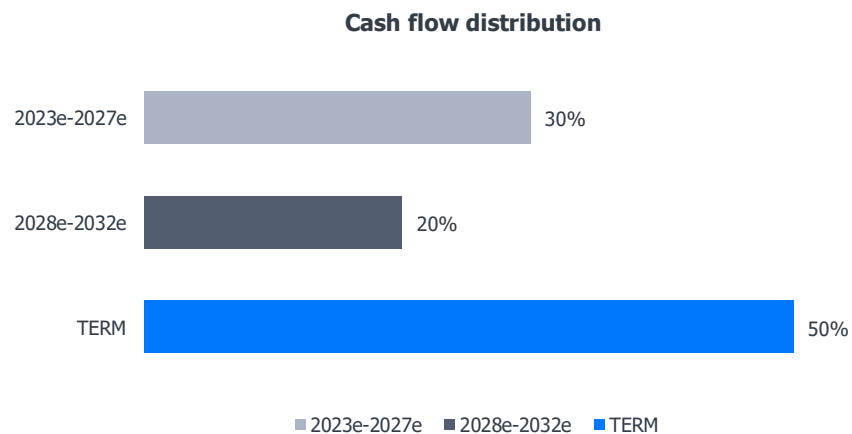
DCF calculation 4/4

DCF model NRG (FAS)	2021	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	43.0 %	11.0 %	-14.6 %	1.5 %	2.5 %	3.0 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBITDA-%	-0.1 %	-4.7 %	4.5 %	4.4 %	4.4 %	4.4 %	4.4 %	4.4 %	4.4 %	4.4 %	4.4 %	4.0 %	4.0 %
EBIT (operating profit)	-1.9	-8.7	-0.4	-0.4	-0.3	-0.3	0.6	1.4	1.4	1.4	1.4	1.3	
+ Depreciation	1.9	6.7	2.0	2.0	2.0	2.0	1.1	0.4	0.4	0.4	0.4	0.4	
- Paid taxes	0.0	0.0	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	
- Change in working capital	-1.3	-0.4	0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	
Operating cash flow	1.8	-1.3	1.7	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.4	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-3.3	-0.1	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	
Free operating cash flow	-1.5	-1.5	1.3	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	0.9	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-1.5	-1.5	1.3	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	0.9	14.9
Discounted FCFF			1.3	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.5	0.4	7.1
Sum of FCFF present value			14.2	12.9	12.1	11.3	10.7	10.0	9.3	8.7	8.1	7.6	7.1
Enterprise value DCF			14.2										
- Interest bearing debt													-15.0
+ Cash and cash equivalents													2.3
-Minorities													0.0
-Dividend/capital return													0.0
Equity value DCF													1.4

WACC

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

Source: Inderes



Summary

Income statement	2020	2021	2022	2023e	2024e	Per share data	2020	2021	2022	2023e	2024e
Revenue	3.2	11.5	441.3	418.2	412.7	EPS (reported)	0.17	0.32	0.24	-0.07	0.03
EBITDA	11.7	20.2	12.2	32.3	33.0	EPS (adj.)	0.17	0.32	0.24	0.17	0.03
EBIT	11.7	20.2	12.2	-2.0	9.9	OCF / share	0.19	0.43	-0.64	0.68	0.73
PTP	11.6	20.2	12.0	-12.2	2.4	FCF / share	0.19	0.43	-4.16	0.30	0.32
Net Income	9.9	18.4	14.1	-4.3	1.9	Book value / share	1.33	1.61	1.40	1.33	1.36
Extraordinary items	0.0	0.0	0.0	-13.9	0.0	Dividend / share	0.04	0.00	0.00	0.00	0.00
Balance sheet	2020	2021	2022	2023e	2024e	Growth and profitability	2020	2021	2022	2023e	2024e
Balance sheet total	83.5	113.3	377.0	350.1	342.1	Revenue growth-%	540%	259%	3737%	-5%	-1%
Equity capital	77.3	93.5	87.8	77.3	79.2	EBITDA growth-%	-27%	73%	-40%	165%	2%
Goodwill	0.0	0.0	37.7	37.7	37.7	EBIT (adj.) growth-%	-27%	73%	-40%	-2%	-17%
Net debt	-8.6	4.7	158.2	150.0	137.4	EPS (adj.) growth-%	-23%	86%	-23%	-32%	-80%
Cash flow	2020	2021	2022	2023e	2024e	EBITDA-%	365.6 %	175.7 %	2.8 %	7.7 %	8.0 %
EBITDA	11.7	20.2	12.2	32.3	33.0	EBIT (adj.)-%	365.6 %	175.7 %	2.8 %	2.9 %	2.4 %
Change in working capital	-0.9	4.8	-55.7	6.6	8.7	EBIT-%	365.6 %	175.7 %	2.8 %	-0.5 %	2.4 %
Operating cash flow	10.8	24.9	-37.0	39.4	42.2	ROE-%	12.7 %	21.5 %	16.1 %	-5.4 %	2.4 %
CAPEX	0.2	-0.2	-207.3	-22.2	-23.6	ROI-%	15.1 %	22.8 %	6.6 %	-0.8 %	4.1 %
Free cash flow	11.0	24.7	-241.8	17.5	18.7	Equity ratio	92.6 %	82.5 %	23.3 %	22.1 %	23.2 %
Valuation multiples	2020	2021	2022	2023e	2024e	Gearing	-11.2 %	5.0 %	180.2 %	194.0 %	173.4 %
EV/S	16.9	10.1	0.5	0.5	0.4						
EV/EBITDA (adj.)	4.6	5.8	19.0	6.1	5.6						
EV/EBIT (adj.)	4.6	5.8	19.0	16.4	18.5						
P/E (adj.)	6.3	6.1	4.9	4.8	24.1						
P/B	0.8	1.2	0.8	0.6	0.6						
Dividend-%	3.7 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

*NB! 2020-2021 the figures are not comparable due to changes in reporting.

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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
12/15/2021	Accumulate	2.00 €	1.94 €
3/4/2022	Buy	1.80 €	1.52 €
3/17/2022	Accumulate	1.80 €	1.64 €
5/6/2022	Buy	1.80 €	1.36 €
8/18/2022	Accumulate	1.50 €	1.29 €
11/4/2022	Buy	1.40 €	1.14 €
12/16/2022	Buy	1.40 €	1.17 €
2/21/2023	Accumulate	1.35 €	1.20 €
3/1/2023	Accumulate	1.20 €	1.08 €
5/5/2023	Buy	1.20 €	1.03 €
8/18/2023	Accumulate	1.05 €	0.95 €
<i>Analyst changed</i>			
10/30/2023	Accumulate	0.90 €	0.77 €
11/2/2023	Accumulate	0.90 €	0.79 €



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