KH Group

Company report

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Inderes corporate customer

This report is a summary translation of the report "Lisäostot jäihin tasehuolien seurauksena" published on 5/8/2024 at 8:50 am EEST.

Further purchases halted due to balance sheet concerns

KH Group's Q1 report was weak as expected, but the figures were still below our updated forecasts after the profit warning. In terms of the Group's balance sheet position, the partial exercise of the put options on the minority interest in KH-Koneet came at a challenging time and at a high price, which eroded the loss buffer of the parent company. On our sum-of-the-parts basis, the stock still has significant upside potential, but the balance sheet risk of weak earnings and a leveraged balance sheet weigh on the stock's risk/reward. We lower our target price to EUR 0.65 (was EUR 0.80) and lower our recommendation to Reduce (was Accumulate).

Figures clearly down year-on-year

KH-Koneet's revenue declined more than expected under the pressure of the weak business environment, and the company's result was exceptionally slightly in the red. According to management, profitability in Sweden was close to the Finnish level, which we believe is due to the weaker demand environment in Finland. Indoor Group's revenue decreased significantly as both Asko's and Sotka's net sales fell from the comparison period. Indoor was plagued by a very challenging business environment, an ERP project and the withdrawal from Estonia. Indoor's slightly loss-making operating result was disappointing for us, taking into account the impact of the 3.7 MEUR real estate sale in Estonia. Construction company HTJ's revenue was flat year-on-year, but profitability weakened due to increased competition and lower billing rates. Despite the weak revenue development, HTJ's order book at the end of the reporting period was higher than in the comparison period. NRG, which enjoys strong demand, posted better-than-expected figures, but its impact on the overall picture is limited.

The conditions for better are there, but there is starting to be a rush to turn things around

For the current year, KH Group's guidance is for a revenue of 400-420 MEUR and an EBIT of 12-16 MEUR. The earnings guidance takes into account the capital gain on the sale of real estate in Estonia. Our revenue forecast for the year was already below guidance before the profit warning, and after the Q1 report meeting the guidance seems challenging to say the least. Our EBIT forecast for the current year is slightly below the guidance range at 11.2 MEUR. We recognize the exceptionally challenging business environment in almost all of the KH subsidiaries and see the Group's potential for a significant improvement in results if the business environment eases. In our forecasts, the EBIT level will double by 2026. However, the company needs to improve its profitability soon as the current financing costs are rapidly eating into the company's balance sheet and could pose greater risks if the challenges in the business environment continue or the minority shareholders of HTJ and KH-Koneet exercise their options to sell.

Still room for upside in the sum of the parts, but balance sheet risk weighs on view

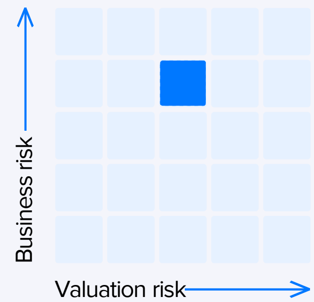
Our sum of the parts calculation indicates a value of EUR 0.86 per share for the group. In our SOTP calculation, we have defined the following subsidiary-specific values: KH-Koneet 44 MEUR, Indoor 24 MEUR, HTJ 16 MEUR and NRG 3.5 MEUR. We see clear upside in the stock if the subsidiaries develop in line with our forecasts and KH Group survives without realizing any balance sheet risk. Divestments would be one way to strengthen the balance sheet and realize value, but with subsidiaries under pressure and weak M&A activity, the near-term outlook for strategic deals is weaker than usual.

Recommendation

Reduce
(previous Accumulate)

EUR 0.65
(previous EUR 0.80)

Share price:
0.61



Key figures

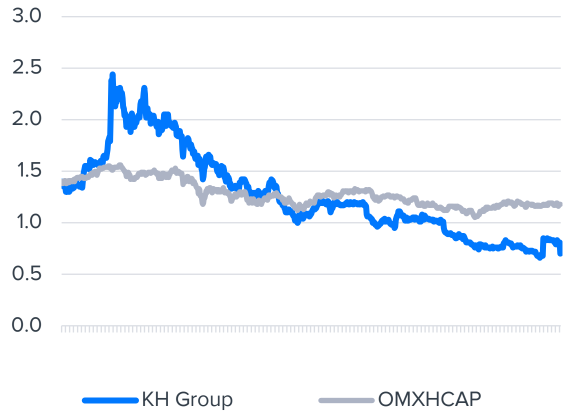
	2023	2024e	2025e	2026e
Revenue	403	386	401	430
growth-%	-6%	-4%	4%	7%
EBIT adj.	10.8	11.2	16.9	19.6
EBIT-% adj.	2.7 %	2.9 %	4.2 %	4.6 %
PTP	-15.4	-0.5	6.3	9.8
Net Income	-7.0	-1.3	3.4	5.9
EPS (adj.)	0.12	-0.02	0.06	0.10
Dividend	0.00	0.00	0.00	0.00
P/E (adj.)	6.5	neg.	10.5	6.0
P/B	0.6	0.5	0.5	0.4
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	19.0	16.6	10.2	8.4
EV/EBITDA	6.4	4.0	4.0	3.5
EV/S	0.5	0.5	0.4	0.4

Source: Inderes

Guidance (Unchanged)

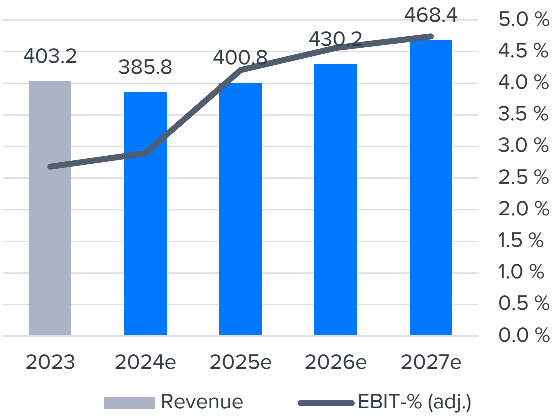
With the current group structure, KH Group expects 2024 revenue of 400-420 MEUR and operating profit of 12-16 MEUR, including the operating profit from the real estate sale in Estonia.

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	2024e	2025e	2026e
Share price	0.61	0.61	0.61
Number of shares, millions	58.1	58.1	58.1
Market cap	35	35	35
EV	185	172	164
P/E (adj.)	neg.	10.5	6.0
P/E	neg.	10.5	6.0
P/B	0.5	0.5	0.4
P/S	0.1	0.1	0.1
EV/Sales	0.5	0.4	0.4
EV/EBITDA	4.0	4.0	3.5
EV/EBIT (adj.)	16.6	10.2	8.4
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

Performance must improve to make the balance sheet sustainable

Revenues of the largest holdings fell more than we expected

KH-Koneet's revenue fell by 28%, pressured by a weak demand environment. The company did not flag the Finnish port strikes as a drag on revenue, which would have been a relief given the sharp decline. Both the Finnish and Swedish markets declined. Despite the weak business environment, KH-Koneet made new efforts to grow during the quarter by expanding its rental business, signing new distribution agreements and hiring more employees, which we view as positive for the company's longer-term competitiveness.

Indoor Group's revenue fell by 13%. There was a decline in both the Asko and Sotka chains. The new ERP system was implemented at the beginning of March and had a negative impact on revenue. The closure of the Estonian business during the quarter also weighed on Indoor Group's revenue.

HTJ's revenue was flat year-on-year, supported by the FinestCon acquisition. Despite the difficult market situation, HTJ is also continuing its growth strategy by recruiting and exploring acquisition opportunities. NRG, which enjoys a strong order book, grew its revenue by a convincing 12%. We were already aware of the large order book, but the company's delivery performance exceeded our expectations.

Surprisingly high pressure on profitability levels

At the EBIT level, KH-Koneet's profitability in Sweden rose almost on a par with Finland, but at the current profitability level this is cold comfort. The operating result of -0.4 MEUR is a weak performance by KH Koneet's standards, although the business environment is exceptionally challenging. Indoor Group's EBIT level of -0.3 MEUR improved slightly year-on-year, but this figure includes the 3.7 MEUR gain from the sale of the real estate in Estonia. Taking into account the gain on the sale of real estate, profitability deteriorated much more than expected. Indoor Group's ERP project incurred expenses of 0.7 MEUR in the reporting period (Q1'23: 0.6 MEUR). As expected, HTJ suffered from increased competition and lower billing rates, and the EBIT of 0.1 MEUR was below our expectations. In our view, the company could defend its profitability by, for example, putting hiring on hold, but this would be a short-sighted decision in terms of longer-term value creation. NRG's EBIT of 0.7 MEUR significantly exceeded our forecast of 0.5 MEUR, confirming that the company is showing signs of a turnaround.

Financing expenses eat up the balance sheet

KH Group's net interest-bearing debt increased to 171 MEUR in Q1 (Q4'23 155 MEUR) due to seasonal fluctuations in the working capital of subsidiaries and the Group's weak performance. Despite the weaker performance, all Group companies met their financial covenants at the end of the first quarter. With the seasonally weak operating cash flow in Q1 (-10.7 MEUR), we believe that the company's balance sheet position looks overly leveraged and that the company's profitability urgently needs to be strengthened in order to avoid the quarterly financing costs of 3.0 MEUR becoming a problem.

Revenue MEUR	Q1'23 Comparison	Q1'24 Actualized	Q1'24e Inderes	Growth Estimate	Growth Act.	Diff-% Act. vs. Inderes
Indoor Group	43.6	37.8	40.5	-7%	-13%	-7%
KH-Koneet Group	40.5	29.2	33.2	-18%	-28%	-12%
Nordic Rescue Group	9.9	11.1	10.0	1%	12%	10%
HTJ	6.1	6.1	6.3	3%	0%	-3%
Adj. EBIT (IFRS) **MEUR**	**Q1'23** **Comparison**	**Q1'24** **Actualized**	**Q1'24e** **Inderes**	**Growth** **Estimate**	**Growth** **Act.**	**Diff-%** **Act. vs. Inderes**
Indoor Group	-0.6	-0.3	2.1			
KH-Koneet Group	1.8	-0.4	0.3	-82%		
Nordic Rescue Group	0.1	0.7	0.5	402%	600%	39%
HTJ	0.3	0.1	0.4	12%	-71%	-74%
Unallocated costs	-0.6	-0.3	-0.5			

Source: Inderes NOTE: The figures for the comparison period are pro forma

This year's guidance looks challenging after the report

We see particular risk around revenue guidance

One week before the business review, KH Group lowered its guidance for the current year and now expects a revenue of 400-420 MEUR (unchanged) and an EBIT of 12-16 MEUR. The EBIT guidance includes the 3.7 MEUR sale of Indoor Group's real estate in Estonia.

Our revenue forecast for the current year was already slightly below guidance before the profit warning. After a weak Q1 report, achieving the guidance will require a significant rebound in sales towards the end of the year, and our forecasts for the current year are slightly below guidance. Challenges in the construction sector and the stagnant housing market are plaguing the Group's largest holdings, but there are no signs that these challenges are abating. Given the interest rate sensitivity of the construction and housing sectors, a decline in interest rates, if realized, will be positive, *ceteris paribus*, for the Group's demand environment, but it is difficult to estimate the time lag required for the impact to be felt.

Forecast changes were mostly negative

Following KH-Koneet's weaker-than-expected numbers, we have lowered our sales and earnings forecasts for the coming years. KH-Koneet's surprisingly weak Q1 report, combined with the put option exercised by minority shareholders, paints a weak near-term outlook in our view, although we are positive on KH-Koneet's longer-term value creation prospects. However, in the CEO's review, management mentioned cautious signs of a recovery in customer demand in Sweden, which would of course be positive.

Weaker-than-expected Q1 results for Indoor Group and HTJ also put downward pressure on our forecasts. Indoor's Q2 figures are still impacted by the implementation of the new ERP system, but the company's cost level should decline in H2 as the project is completed. We expect the company's performance to improve in H2, supported by efficiency gains from the new ERP system and a slight leveling off in the demand environment in the second half of the current year. NRG's solid Q1 numbers and good outlook put slight upward pressure on our forecasts.

Group financing costs a concern

We forecast KH Group's financing costs to be around 10-12 MEUR in the coming years, which is very high relative to the company's current profitability. In a normal demand environment, this level would not be challenging for the Group, but with the three largest holdings struggling in an exceptionally difficult business environment and the option to sell the minority stakes in KH-Koneet and HTJ, we have concerns about the sustainability of the balance sheet.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
Revenue (MEUR)	Old	New	%	Old	New	%	Old	New	%
Indoor Group	179	176	-2%	181	178	-2%	185	182	-2%
KH-Koneet	148	138	-6%	157	150	-5%	175	172	-2%
HTJ	26.8	26.6	-1%	27.6	27.4	-1%	28.6	28.4	-1%
NRG	40.0	41.1	3%	41.2	42.3	3%	42.3	43.4	3%
Adj. EBIT (EUR)									
Indoor Group	6.0	3.6	-40%	6.9	6.8	-2%	7.4	7.3	-2%
KH-Koneet	5.1	4.5	-12%	7.8	7.5	-5%	9.6	9.5	-2%
HTJ	2.2	1.9	-13%	3.0	3.0	-1%	3.3	3.2	-1%
NRG	2.0	2.4	19%	1.9	1.9	3%	1.7	1.7	3%
Unallocated costs	-2.0	-1.8	-10%	-1.8	-1.8	0%	-1.8	-1.8	0%

Source: Inderes

Changes in our sum-of-the-parts calculation

Weak level of revenue weighed on the value of KH-Koneet in particular

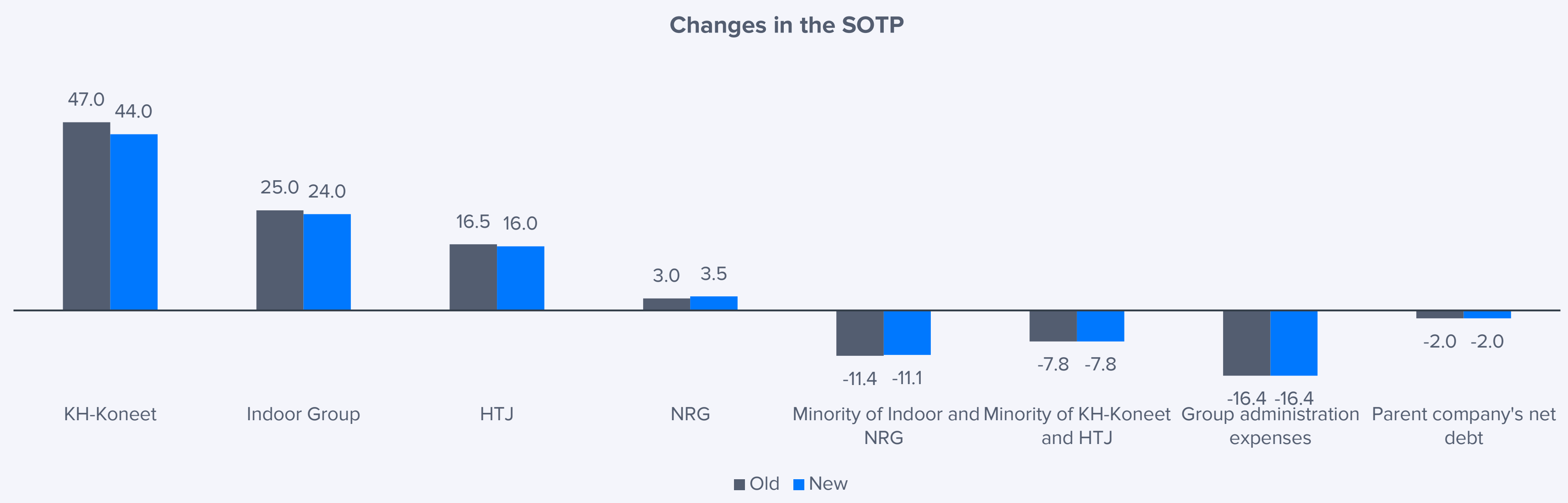
In our SOTP calculation, the value of KH-Koneet fell significantly below expectations due to weaker-than-expected revenue, which also weighed on our longer-term revenue forecasts.

We also slightly lowered our estimate of HTJ's fair value in light of weak Q1 profitability and increased competition. According to management, due to weak demand in the construction sector, larger players have been expanding into smaller projects in HTJ's territory, where they have not been seen in the past. We expect larger competitors to withdraw from smaller projects and the company's pricing power to strengthen as demand recovers.

For Indoor, the weak Q1 report was clearly disappointing, but for the company, the factors behind the weakness appear to be truly short term due to the challenges posed by port strikes and ERP reform. As a result, we did not make any major changes to our estimate of the company's fair value.

Debt leverage makes NRG's valuation sensitive to forecast changes

For NRG, we slightly raised our fair value estimate on the back of a strong report and the improving outlook it suggests. Due to the company's leveraged balance sheet, even small changes in the forecast will have a large impact on the value indicated by the DCF model.



Sum of the parts is the most reliable valuation method

SOTP formation

We approach KH Group's valuation with a sum of the parts calculation. In our view, the method is optimal, as the current Group structure is to be dismantled, which enables value to be released. At the same time, due to the subsidiaries' differing cash flow and risk profiles, the profitability of their growth and the acceptable valuation multiples differ considerably. In our SOTP, we have estimated the fair value of each of KH Group's subsidiaries using company-specific DCF models and by comparing the multiple-based fair value valuation to company-specific peers' valuations. In the subsidiary-specific valuation, we utilize company-specific financial statements that comply with FAS accounting (excl. Indoor Group that reports under IFRS), which slightly weakens the comparability of the figures with peers.

We deduct the minority holding of the company, the Group administration expenses, and our estimate of the parent company's debts from the company-specific fair value estimate as part of the calculation. Our sum of the parts calculation indicates that KH Groups value per share is EUR 0.86

Group administration expenses consume the fair value of the whole

We have estimated that normalized group administration costs are 1.8 MEUR, 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.

Two-sided redemption right increases liquidity risk

In Q1'24, KH Group's ownership in KH-Koneet was 90.7% and in HTJ 91.7%. The Group has a two-way right of redemption with both subsidiaries and the related liabilities are recognized in the Group's balance sheet in the amount of 7.8 MEUR.

The minority shareholders of KH-Koneet announced after the reporting period that they will exercise their option to sell 50% of their current shareholding. Half of the minority interest is to be redeemed by the end of June and the obligation amounts to around 2.9 MEUR, which would increase the parent company's stake in KH-Koneet to 95.1% (currently 90.7%). We do not know exactly how the redemption option will value the subsidiaries, but the transaction will value KH-Koneet at 65.9 MEUR, which seems high relative to the company's current performance and our valuation. The put option held by the minority shareholders of KH-Koneet and HTJ will increase the Group's liquidity risk in the short term, as the parent company would have to finance the remaining repayments with debt.

SOTP breakdown (MEUR)	Equity value DCF	Fair value	Net liabilities 2024e	EV 2024e
KH-Koneet	44.8	44.0	14.8	58.8
Indoor Group	26.6	24.0	64.7	88.7
HTJ	22.7	16.0	6.1	22.1
NRG	5.3	3.5	10.9	14.4
- Minority of Indoor and NRG		-11.1		
- Minority of KH-Koneet and HTJ		-7.8		
- Group administration expenses		-16.4		
+ Parent company's net debt		-2.0		
= Sum of the parts		**50.2**		
Group's current market value		40.7		
Discount on the SOTP		-19%		
Value per share indicated by the SOTP		EUR 0.86		

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 FAS 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.

Valuation of KH-Koneet predicts an earnings slump in the current year

For KH-Koneet, the earnings-based valuation looks quite conservative if one is willing to look beyond this year's earnings slump. Relative to its peers, our valuation prices KH-Koneet at a big-picture discount, which we believe is justified by its smaller size and more limited growth potential than its peers. In our view, KH-Koneet's business and growth are value-creating, and as a result, the balance sheet-based valuation provides good support for the company's valuation at current levels.

Turnaround company status is reflected in Indoor's valuation

Measured by EBITDA, Indoor seems cheap with our 2024 forecasts, although due to the high depreciation/EBITDA ratio, the multiple may be misleading and our net profit forecast is negative. Indoor has historically generated high profitability but due to the company's elevated risk profile and weakened performance, we consider it justified that the company is now priced on a balance sheet basis with 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 strengthen, we see all prerequisites for balance sheet-based premium pricing and a clear upside relative to the current value. Indoor's peers are also priced mainly at a discount to book value, which may indicate market doubts about the industry's long-term value creation outlook.

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 the company's valuation. With the company-specific market value of 16.5 MEUR we determined, HTJ is priced at a clear discount to its 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 23 million for the company. The businesses' resilience to cyclicality is somewhat unclear to us in HTJ, but infrastructure construction and public sector premises account for over 60% of revenue, limiting fluctuation.

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

NRG's revenue- 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. Due to the company's significant leverage, a successful earnings turnaround would have a significant positive impact on the value of equity.

KH-Koneet	2024e	2025e	2026e	2027e
EV/Sales	0.4	0.4	0.3	0.3
EV/EBITDA	9.3	6.6	4.9	4.0
EV/adj. EBIT	10.0	7.0	5.4	4.5
Adj. P/E	11.7	7.7	6.0	4.6
P/B	1.0	0.9	0.8	0.7

Indoor Group	2024e	2025e	2026e	2027e
EV/Sales	0.5	0.4	0.4	0.3
EV/EBITDA	4.3	3.4	2.8	2.3
EV/EBIT	91.3	12.3	9.3	7.7
Adj. P/E	-7.9	8.9	6.1	5.2
P/B	0.7	0.7	0.6	0.5

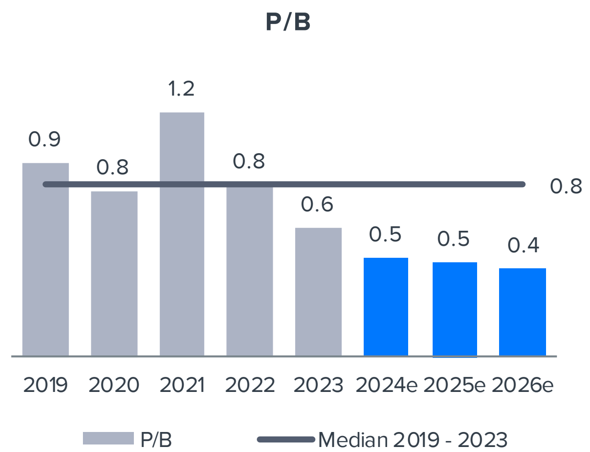
HTJ	2024e	2025e	2026e	2027e
EV/Sales	0.8	0.7	0.6	0.5
EV/EBITDA	11.2	6.4	5.2	4.2
EV/adj. EBIT	12.0	6.7	5.4	4.4
Adj. P/E	12.2	7.1	6.5	6.2
P/B	1.5	1.3	1.1	0.9

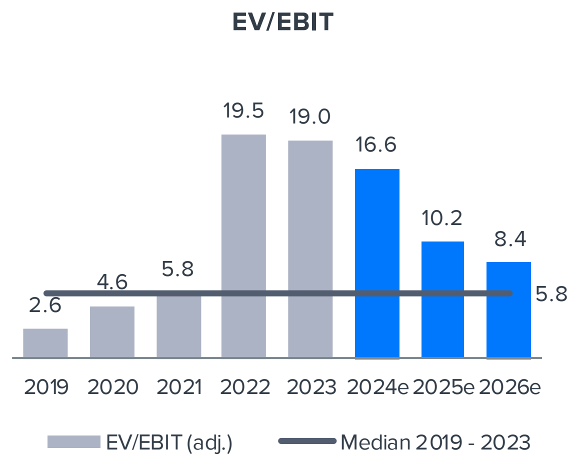
NRG	2024e	2025e	2026e	2027e
EV/Sales	0.4	0.3	0.3	0.3
EV/EBITDA	5.1	6.2	6.6	6.2
EV/adj. EBIT	6.0	7.6	8.3	7.8
Adj. P/E	3.7	5.8	6.4	5.2
P/B	-0.7	-0.6	-0.5	-0.4

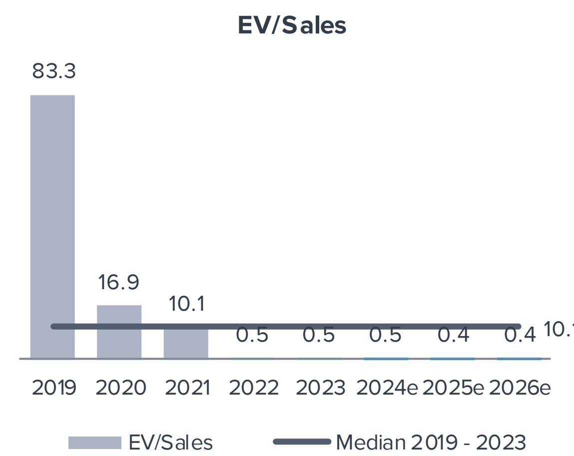
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	1.28	1.08	1.92	1.18	0.81	**0.61**	**0.61**	**0.61**	**0.61**
Number of shares, millions	57.8	58.0	58.1	58.1	58.1	**58.1**	**58.1**	**58.1**	**58.1**
Market cap	74	63	112	69	47	**35**	**35**	**35**	**35**
EV	42	54	116	232	205	**185**	**172**	**164**	**156**
P/E (adj.)	5.8	6.3	6.1	5.0	6.5	**neg.**	**10.5**	**6.0**	**4.1**
P/E	5.8	6.3	6.1	5.0	neg.	**neg.**	**10.5**	**6.0**	**4.1**
P/B	0.9	0.8	1.2	0.8	0.6	**0.48**	**0.46**	**0.4**	**0.4**
P/S	>100	19.6	9.7	0.2	0.1	**0.1**	**0.1**	**0.1**	**0.1**
EV/Sales	83.3	16.9	10.1	0.5	0.5	**0.5**	**0.4**	**0.4**	**0.3**
EV/EBITDA	2.6	4.6	5.8	19.5	6.4	**4.0**	**4.0**	**3.5**	**3.2**
EV/EBIT (adj.)	2.6	4.6	5.8	19.5	19.0	**16.6**	**10.2**	**8.4**	**7.0**
Payout ratio (%)	83.5 %	23.4 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
Dividend yield-%	14.5 %	3.7 %	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**

Source: Inderes







Income statement

Income statement	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**100**	**100**	**97.6**	**105**	**403**	**84.2**	**93.9**	**99.2**	**108**	**386**	**401**	**430**	**468**
KH-Koneet	40.5	40.4	32.3	39.1	152	29.2	34.3	34.6	43.0	141	152	175	207
Indoor Group	43.6	44.0	50.6	48.1	186	37.8	42.7	49.6	46.9	177	179	183	188
HTJ	6.1	7.0	6.5	6.6	26.3	6.1	7.2	6.6	6.7	26.6	27.4	28.4	29.3
Nordic Rescue Group	9.9	8.8	8.2	11.4	38.3	11.1	9.7	8.4	11.9	41.1	42.3	43.4	44.5
EBITDA						**8.1**	**9.8**	**14.1**	**14.3**	**46.4**	**43.0**	**46.2**	**49.4**
Depreciation					-35.0	-8.8	-8.8	-8.8	-8.8	-35.2	-26.1	-26.6	-27.2
EBIT (excl. NRI)	**1.1**	**2.9**	**5.1**	**1.7**	**10.8**	**-0.7**	**1.0**	**5.3**	**5.5**	**11.2**	**16.9**	**19.6**	**22.2**
EBIT	**1.1**	**0.9**	**-6.8**	**1.7**	**-3.1**	**-0.7**	**1.0**	**5.3**	**5.5**	**11.2**	**16.9**	**19.6**	**22.2**
KH-Koneet	1.8	2.0	2.0	3.2	9.0	-0.4	1.2	1.6	2.6	5.0	7.3	9.1	11.4
Indoor Group	-0.6	-1.5	2.6	0.6	1.1	-0.3	-0.9	3.0	2.1	3.9	6.4	7.3	7.5
HTJ	0.4	0.6	1.0	0.6	2.6	0.1	0.5	0.7	0.6	1.9	3.0	3.2	3.3
Nordic Rescue Group	0.1	0.6	0.3	0.9	1.9	0.7	0.6	0.5	0.7	2.4	1.9	1.7	1.8
Unallocated items	-0.6	-0.8	-12.7	-3.6	-17.7	-0.7	-0.5	-0.5	-0.5	-2.1	-1.8	-1.8	-1.8
Net financial items	-2.6	-3.5	-2.1	-4.1	-12.3	-3.0	-2.9	-2.9	-2.9	-11.7	-10.6	-9.8	-8.5
PTP	**-1.5**	**-2.6**	**-8.9**	**-2.4**	**-15.4**	**-3.6**	**-1.9**	**2.4**	**2.6**	**-0.5**	**6.3**	**9.8**	**13.7**
Taxes	0.5	0.4	2.2	0.2	3.3	0.3	0.4	-0.5	-0.5	-0.3	-1.3	-2.0	-2.7
Minority interest	0.0	1.2	3.2	0.8	5.2	0.5	-0.1	-0.5	-0.4	-0.5	-1.6	-1.9	-2.3
Net earnings	**-1.0**	**-1.0**	**-3.2**	**-1.5**	**-6.7**	**-2.8**	**-1.6**	**1.4**	**1.7**	**-1.3**	**3.4**	**5.9**	**8.6**
EPS (adj.)	**-0.02**	**0.02**	**0.15**	**-0.03**	**0.12**	**-0.05**	**-0.03**	**0.02**	**0.03**	**-0.02**	**0.06**	**0.10**	**0.15**

Key figures	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%					-6.0 %	-15.9 %	-6.3 %	1.6 %	3.1 %	-4.3 %	3.9 %	7.3 %	8.9 %
Adjusted EBIT growth-%					-9.2 %	-160.0 %	-64.9 %	3.5 %	225.3 %	3.4 %	51.0 %	16.3 %	13.3 %
EBITDA-%					7.9 %	9.7 %	10.5 %	14.2 %	13.2 %	12.0 %	10.7 %	10.7 %	10.6 %
Adjusted EBIT-%	1.1 %	2.9 %	5.2 %	1.6 %	2.7 %	-0.8 %	1.1 %	5.3 %	5.1 %	2.9 %	4.2 %	4.6 %	4.7 %
Net earnings-%	-1.0 %	-1.0 %	-3.3 %	-1.4 %	-1.7 %	-3.3 %	-1.7 %	1.4 %	1.6 %	-0.3 %	0.8 %	1.4 %	1.8 %

Source: Inderes

*Note: 2022-H1'23 figures are pro forma figures of various subsidiaries, not officially reported figures, to improve comparability. In the future, the figures will be in line with the reported figures. The subsidiaries' projections follow IFRS accounting and therefore differ from the company-specific DCF models, which follow FAS accounting.

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**213**	**213**	**212**	**207**	**208**
Goodwill	37.7	39.9	39.9	39.9	39.9
Intangible assets	65.3	63.8	62.3	60.7	59.1
Tangible assets	104	103	105	106	109
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.8	0.7	0.0	0.0	0.0
Deferred tax assets	5.2	5.3	5.3	0.0	0.0
Current assets	**164**	**135**	**127**	**130**	**140**
Inventories	112	100.0	94.5	96.2	103
Other current assets	7.3	0.0	0.0	0.0	0.0
Receivables	18.8	23.7	13.5	14.0	15.1
Cash and equivalents	26.4	11.1	19.3	20.0	21.5
Balance sheet total	**377**	**348**	**339**	**337**	**348**

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**87.8**	**79.3**	**73.4**	**76.8**	**82.7**
Share capital	15.2	15.2	15.2	15.2	15.2
Retained earnings	53.4	46.6	45.3	48.7	54.6
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	13.0	12.9	12.9	12.9	12.9
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	6.2	4.7	0.0	0.0	0.0
Non-current liabilities	**128**	**122**	**117**	**110**	**106**
Deferred tax liabilities	15.7	12.7	12.7	12.7	12.7
Provisions	0.0	0.1	0.0	0.0	0.0
Interest bearing debt	110	106	101	93.7	89.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.5	3.6	3.6	3.6	3.6
Current liabilities	**161**	**147**	**148**	**151**	**159**
Interest bearing debt	74.4	60.4	67.5	62.5	59.9
Payables	86.4	86.2	81.0	88.2	98.9
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	**377**	**348**	**339**	**337**	**348**

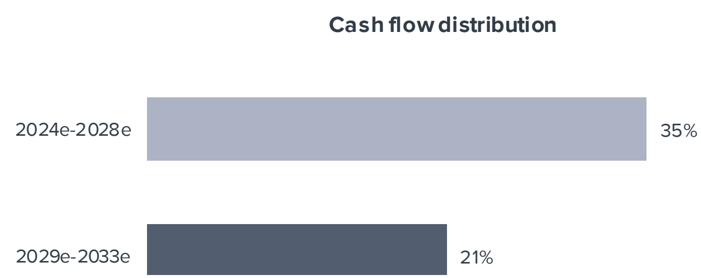
*Note: The 2021 balance sheet follows an investment company reporting format and is therefore not comparable to the current conglomerate reporting format. We have replaced the 2022 investment company balance sheet with the conglomerate balance sheet from the H1'23 report in order to base our future balance sheet projections on a comparable data point.

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-6.0 %	-4.3 %	3.9 %	7.3 %	8.9 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	-0.8 %	2.9 %	4.2 %	4.6 %	4.7 %	4.5 %	4.5 %	4.5 %	4.0 %	4.0 %	4.0 %	4.0 %
EBIT (operating profit)	**-3.1**	**11.2**	**16.9**	**19.6**	**22.2**	**21.6**	**22.1**	**22.7**	**20.6**	**21.0**	**21.3**	
+ Depreciation	35.0	35.2	26.1	26.6	27.2	27.4	27.6	27.7	27.9	28.0	28.1	
- Paid taxes	0.1	-0.3	4.0	-2.0	-2.7	-2.9	-3.1	-3.3	-3.0	-3.2	-3.4	
- Tax, financial expenses	-2.6	-2.3	-2.1	-2.0	-1.7	-1.4	-1.3	-1.2	-1.1	-1.0	-0.9	
+ 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	14.0	10.5	5.0	2.7	-1.7	-0.5	-0.5	-0.6	-0.5	-0.5	-0.4	
Operating cash flow	**43.4**	**54.2**	**49.9**	**45.0**	**43.3**	**44.1**	**44.7**	**45.3**	**43.9**	**44.3**	**44.8**	
+ Change in other long-term liabilities	1.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-35.1	-34.3	-26.5	-27.4	-26.3	-26.4	-26.6	-26.6	-26.7	-26.6	-29.0	
Free operating cash flow	**9.5**	**19.7**	**23.4**	**17.6**	**17.0**	**17.7**	**18.2**	**18.8**	**17.2**	**17.7**	**15.8**	
+/- Other	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	9.8	19.7	23.4	17.6	17.0	17.7	18.2	18.8	17.2	17.7	15.8	220
Discounted FCFF		**18.7**	**20.4**	**14.1**	**12.5**	**12.0**	**11.3**	**10.7**	**9.0**	**8.5**	**7.0**	**97.0**
Sum of FCFF present value		221	202	182	168	155	144	132	122	113	104	97.0
Enterprise value DCF		**221**										
- Interest bearing debt		-166.0										
+ Cash and cash equivalents		11.1										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**66.2**										
Equity value DCF per share		**1.1**										

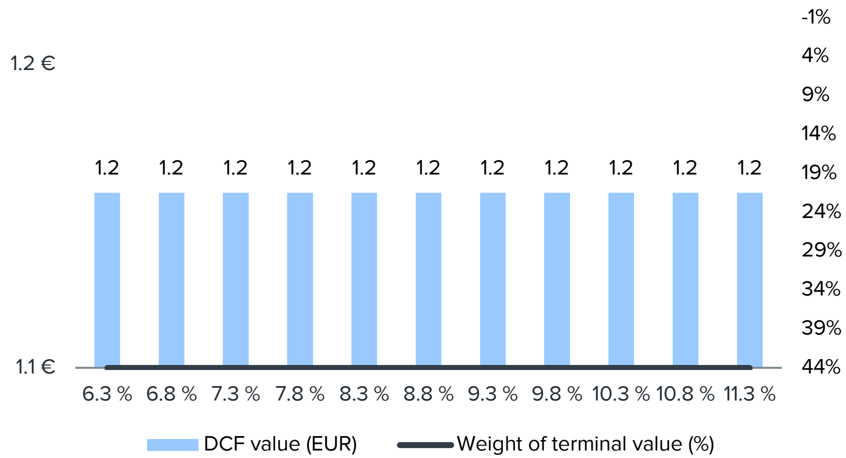
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	45.0 %
Cost of debt	6.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.5 %
Cost of equity	**12.1 %**
Weighted average cost of capital (WACC)	**8.8 %**

Source: Inderes

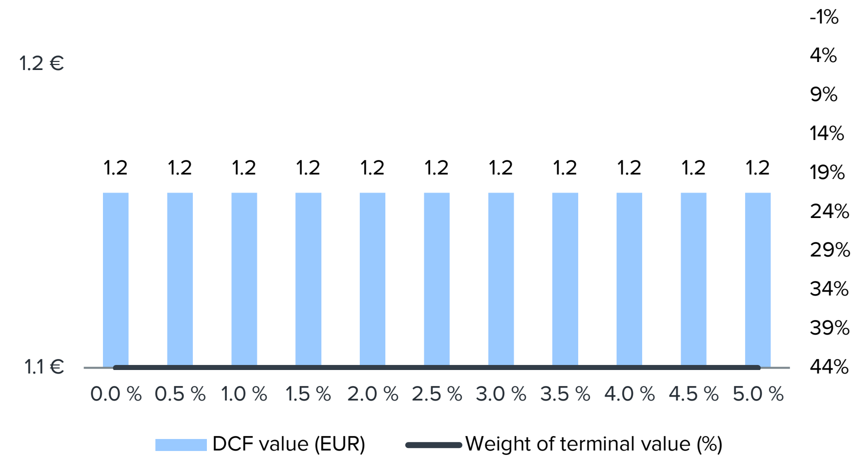


DCF sensitivity calculations and key assumptions in graphs

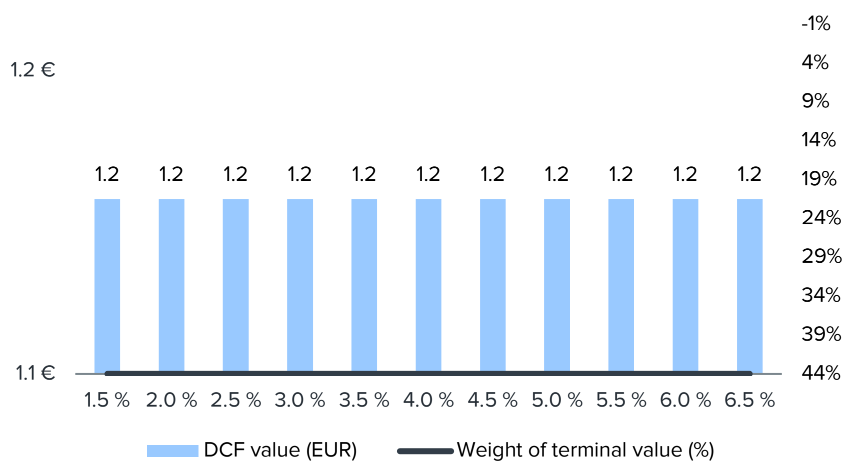
Sensitivity of DCF to changes in the WACC-%



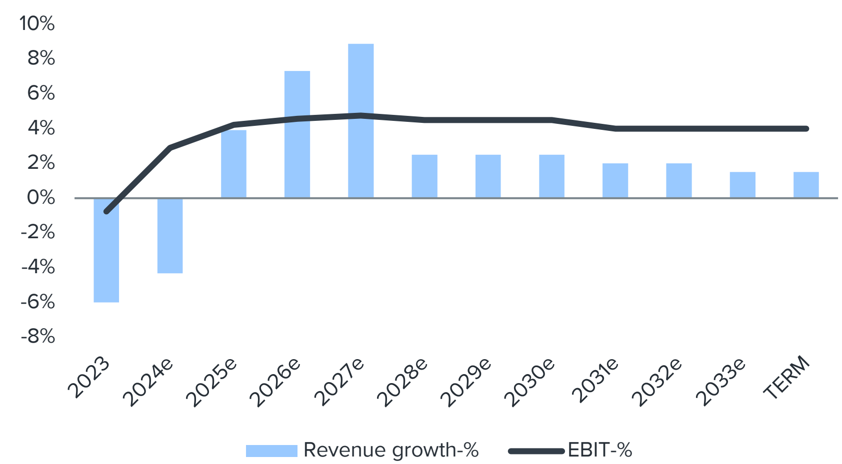
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	11.5	428.9	403.2	**385.8**	**400.8**
EBITDA	20.2	11.9	31.9	**46.4**	**43.0**
EBIT	20.2	11.9	-3.1	**11.2**	**16.9**
PTP	20.2	11.7	-15.4	**-0.5**	**6.3**
Net Income	18.4	13.8	-6.7	**-1.3**	**3.4**
Extraordinary items	0.0	0.0	-13.9	**0.0**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	113.3	377.0	347.7	**339.3**	**337.4**
Equity capital	93.5	87.8	79.3	**73.4**	**76.8**
Goodwill	0.0	37.7	39.9	**39.9**	**39.9**
Net debt	4.7	158.2	154.9	**149.4**	**136.2**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	20.2	11.9	31.9	**46.4**	**43.0**
Change in working capital	4.8	-55.7	14.0	**10.5**	**5.0**
Operating cash flow	24.9	-37.3	43.4	**54.2**	**49.9**
CAPEX	-0.2	-207.3	-35.1	**-34.3**	**-26.5**
Free cash flow	24.7	-242.1	9.8	**19.7**	**23.4**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	10.1	0.5	0.5	**0.5**	**0.4**
EV/EBITDA (adj.)	5.8	19.5	6.4	**4.0**	**4.0**
EV/EBIT (adj.)	5.8	19.5	19.0	**16.6**	**10.2**
P/E (adj.)	6.1	5.0	6.5	**neg.**	**10.5**
P/B	1.2	0.8	0.6	**0.5**	**0.5**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.32	0.24	-0.11	**-0.02**	**0.06**
EPS (adj.)	0.32	0.24	0.12	**-0.02**	**0.06**
OCF / share	0.43	-0.64	0.75	**0.93**	**0.86**
FCF / share	0.43	-4.17	0.17	**0.34**	**0.40**
Book value / share	1.61	1.40	1.29	**1.26**	**1.32**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	259%	3630%	-6%	**-4%**	**4%**
EBITDA growth-%	73%	-41%	168%	**45%**	**-7%**
EBIT (adj.) growth-%	73%	-41%	-9%	**3%**	**51%**
EPS (adj.) growth-%	86%	-25%	-48%	**-118%**	**-362%**
EBITDA-%	175.7 %	2.8 %	7.9 %	**12.0 %**	**10.7 %**
EBIT (adj.)-%	175.7 %	2.8 %	2.7 %	**2.9 %**	**4.2 %**
EBIT-%	175.7 %	2.8 %	-0.8 %	**2.9 %**	**4.2 %**
ROE-%	21.5 %	15.8 %	-8.5 %	**-1.7 %**	**4.5 %**
ROI-%	22.8 %	6.4 %	-1.2 %	**4.6 %**	**7.1 %**
Equity ratio	82.5 %	23.3 %	22.8 %	**21.6 %**	**22.8 %**
Gearing	5.0 %	180.2 %	195.2 %	**203.6 %**	**177.4 %**

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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 €
Analyst changed			
10/30/2023	Accumulate	0.90 €	0.77 €
11/2/2023	Accumulate	0.90 €	0.79 €
3/11/2024	Accumulate	0.80 €	0.68 €
3/22/2024	Accumulate	0.95 €	0.85 €
5/2/2024	Accumulate	0.80 €	0.70 €
5/7/2024	Reduce	0.65 €	0.61 €

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