

SRV Group Plc

Company report

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This report is a summary translation of the report "Välivuosi ennen kasvua" published on 2/04/2022 at 6:41 am

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Gap year before growth

We reiterate our EUR 0.50 target price for SRV and maintain our Reduce recommendation after the Q4 result. SRV's Q4 report was below our expectations as a whole. Projects with weak margins pushed the company's earnings into red in 2021. This year, performance will also remain clearly below the potential, as very few developer contracted dwellings will be completed. 2022 threatens to become a gap year, overshadowed by the many uncertainties in the market, in addition to company-specific challenges. We do not believe the valuation currently offers sufficient expected returns for us to jump on board the share considering the risks.

Q4 result weaker than expected

SRV's Q4 revenue increased from the comparison period as expected, but the earnings level was weaker than expected. The adjusted EBIT was EUR 4.6 million in red in Q4 (estimate: +1.0 MEUR) and the margin fell to -1.4%. Low profitability was affected by the EUR 7 million losses from the Tampere Arena project, the Loisto residential tower being recognized at zero margin, as well as cost pressures. Thus, the result of the key Construction segment in terms of the turnaround slid EUR -1.3 million into red. If the impact of the above-mentioned projects is roughly adjusted from the revenue and result, we calculate that Construction generated a margin of slightly above 2% which is still below the comparison period (3.0%). In that sense, project development has not progressed as we expected, and in some cases, old projects will weigh on profitability also this year.

We lowered our estimates based on the outlook

In terms of the outlook, the clear decline in the order backlog (-24% y-o-y) was disappointing, and was also reflected in the lower revenue guidance than we expected (2022: 800-950 MEUR). SRV expects the result to improve in 2022, but a more significant improvement will likely wait until 2023-2024. However, according to the company, the risk level of the project portfolio should now be lower and the margin structure healthier, even though market risks cause uncertainty in 2022. We now expect 2022 to be a gap year in terms of revenue even though we do expect a level adjustment in profitability as the bigger project risks have dispersed. We estimate that revenue will decrease by 6% to EUR 800 million considering the lower order backlog and low dwelling completions. We expect adjusted EBIT to rise to EUR 27.7 million (2021: 5.3 MEUR) and the margin to improve to 3.1% (2021: 0.6%) thanks to the improved margin structure in Construction and positive result from Investments (selling of Pearl Plaza). The biggest estimate risks are related to the margin level of agreed projects, how the housing market fares, recovery of the business premises market, cost pressure on the market, and achieving a sustainable turnaround.

No upside in valuation

For 2022, the valuation of SRV's share (22e EV/EBIT (adj.): 12x) does not, in our opinion, offer any upside considering company and market risks. Relative to the acceptable valuation (EV/EBIT: 10-12x) the share has crossed the upper limit. For 2023, the valuation will fall clearly, but due to uncertainties we feel one shouldn't rely on this yet. Compared to the peer group, SRV is priced with a premium (+10%) for 2022, while we feel the company should be priced at a small discount in normal conditions. Based on our estimates, the company will not distribute dividends in 2022 either, which weakens the expected return. The clearly higher value of our DCF calculation (EUR 0.8) indicates the longer-term potential of the company, but it relies on a sustainable and clearly better earnings level (EBIT%: 5%) for which no evidence is available yet.

Recommendation

Reduce

(previous Reduce)

EUR 0.50

(previous EUR 0.50)

Share price:

0.50



Key figures

	2021	2022e	2023e	2024e
Revenue	933	880	963	998
growth-%	-4%	-6%	9%	4%
EBIT adj.	5.3	27.7	36.0	43.9
EBIT-% adj.	0.6 %	3.1 %	3.7 %	4.4 %
Net Income	-19.9	11.4	18.5	25.6
EPS (adj.)	-0.06	0.04	0.06	0.09

P/E (adj.)	neg.	13.4	7.8	5.5
P/B (oik.)	0.9	0.8	0.7	0.7
Dividend yield-%	0.0 %	0.0 %	4.0 %	6.0 %
EV/EBIT (adj.)	58.8	12.2	8.5	6.7
EV/EBITDA	67.2	9.9	7.2	5.8
EV/S	0.3	0.4	0.3	0.3

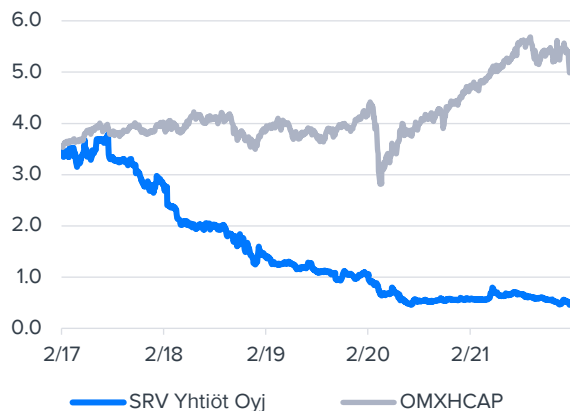
Source: Inderes

Guidance

(New guidance)

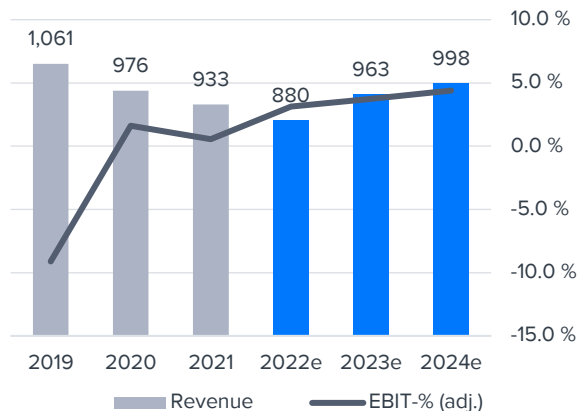
Group's revenue for 2022 is expected to amount to EUR 800–950 million and operative EBIT is expected to improve on 2021.

Share price



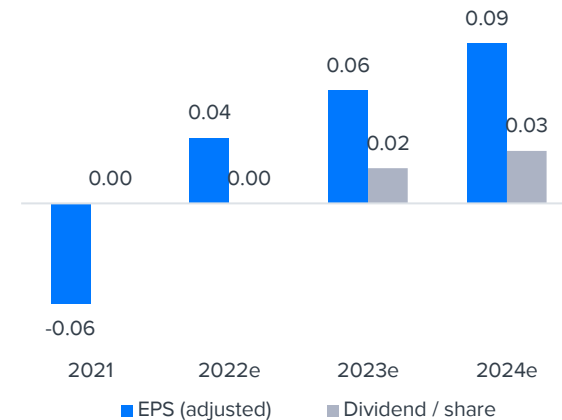
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Improved profitability through improved margin structure of developer contracted dwellings and business construction
- Improving cost-efficiency
- Increased efficiency in capital use and the leverage it provides
- Strategic focus on the capital region and growth centers



Risk factors

- Cyclical risks of the market
- Cost pressures
- Clear cooling of the housing market
- Cost overruns in projects renewing
- Development of the Russian economy and real estate markets
- Exchange rates (ruble)
- Changes in the price and availability of financing

Valuation	2022e	2023e	2024e
Share price	0.50	0.50	0.50
Market cap	131	131	131
EV	338	307	294
P/E (adj.)	13.4	7.8	5.5
P/B (oik.)	0.8	0.7	0.7
EV/Sales	0.4	0.3	0.3
EV/EBITDA	9.9	7.2	5.8
EV/EBIT (adj.)	12.2	8.5	6.7
Payout ratio (%)	0.0 %	31.0 %	32.8 %
Dividend yield-%	0.0 %	4.0 %	6.0 %

Source: Inderes

Disappointing earnings level

Revenue exceeded estimates

SRV's net sales increased by 15% from the comparison period to EUR 336 million, exceeding our estimate slightly (328 MEUR). In the Construction segment, revenue rose to EUR 336 million (Q4'20: 292 MEUR). Revenue in the Investments segment that mainly comes from shopping center operations was low as expected (Q4'21: 0.6 MEUR).

Within the construction segment, revenue rose by some 40% in housing construction due to, e.g. the recognition of Loisto residential tower as income. Revenue in business construction was almost at the level of the comparison period (-1%), which was surprising considering the order backlog that decreased by nearly 30% throughout the year. The order backlog for housing construction stood at EUR 364 million at the end of 2021, which was 16% below the comparison period. Overall, the order backlog

was 24% below the comparison period, which indicates that the outset for revenue in 2022 is weaker.

In housing construction, 259 dwellings were recognized as income in Q4, which was in line with our estimate (estimate: 254). Income recognition was close to the comparison period, but the average price of dwellings was clearly higher, e.g. as Loisto was recognized as income. In terms of outlook it was negative that the new housing starts stood at 0 for the second quarter in a row. This means that the number of completions in 2022 will be very low and, according to our calculations, less than in 2021. It is positive that the number of negotiated contract production is higher than in the comparison period, in addition to which the fourth residential tower in Kalasatama will be recognized in early 2022 (100 MEUR). However, even here we expect margins to

be low even though better than the previous ones. We calculate that 210-270 developer contracted dwellings will be completed, which is clearly less than the 368 completed in 2021. As increasing developer contracted dwelling production is one of the main factors affecting profitability for SRV, the 2022 earnings level can thus be estimated to be far from its potential.

In business construction, the decline in the order backlog began to have a weakening effect on revenue levels in 2021. Bigger projects have ended and no similar projects have been received. On the other hand, we estimate that SRV is selective in its tenders for projects which was also been visible as a lower order backlog. However, the company has proposals and agreed on sites in its project pipeline (Laakso hospital), which have not yet been recorded in the order backlog.

Estimates MEUR / EUR	Q4'20	Q4'21	Q4'21e	Q4'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	292	336	328				3%	924
EBIT (adj.)	5.3	-4.6	1.0				-559%	10.9
EBIT	-8.0	-11.5	1.0				-1248%	10.9
PTP	-14.4	-19.6	-2.8				600%	-3.5
EPS (reported)	-0.05	-0.08	-0.01				837%	-0.01
DPS	0.00	0.00	0.00					0.00
Revenue growth-%	-27.6 %	15.0 %	12.1 %				2.8 pp	-5.3 %
EBIT-% (adj.)	1.8 %	-1.4 %	0.3 %				-1.7 pp	1.2 %

Source: Inderes

Disappointing earnings level

Disappointing profitability

Q4 operative (adjusted) EBIT fell to EUR -4.6 million and was far from our EUR +1.0 million estimate. The earnings level decreased in the Construction segment with previously mentioned low-margin projects. The cost of the Tampere Arena project had a EUR 7 million effect in the quarter, but the Loisto housing project was also recognized at zero margin. The segment's EBIT margin decreased to -0.4% from 3.0% in the comparison period. In addition, cost pressures had a negative impact on the quarter's result.

If you roughly adjust the impact of the above-mentioned projects from the revenue and result, we calculate that the margin of Construction was slightly over 2.0%. This is still below the level of the comparison period (3.0%). In that sense, project development has not progressed as we expected, and in some cases, old projects will weigh on profitability also this year.

In the Investments segment, the result also fell slightly more into red than expected to EUR -1.7 million. In the Investments segment, the company had to write down the entire holding of the 4Daily shopping center (-6,6 MEUR) due to long-term inadequate rent development and the largest shareholder being unwilling to commit further capital. Other shopping centers are running well and there should be no similar risk in other centers.

Guidance fell short of expectations

The guidance and outlook for 2022 were disappointing compared to our expectations. SRV estimates that 2022 revenue will be EUR 800-950 million and operative EBIT will improve from 2021. Prior to the result, we had estimated that 2022 revenue would be EUR 933 million (+1%) and that the adjusted EBIT would increase significantly to EUR 30.3 million (adj. EBIT %: 3.2%).

The weaker outlook was also affected by the fact that the order backlog was some 24% down on the comparison period at EUR 872 million. The order backlog is still very low and comments on accelerating completion of developer contracted dwellings only in 2023-2024 still limits a clear earnings improvement. In addition, increased material prices causes additional challenges for maintaining profitability levels in the near future. On the positive side, however, the balance sheet position continues to show signs of improvement and the main risks in the project portfolio should be over.

We lowered our estimates based on the outlook

Earnings turnaround should pick up in coming years

We now expect revenue to decrease by 6% in 2022 to EUR 880 million and the adjusted EBIT to reach EUR 27.7 million (EBIT%: 3.1%). The guidance predicts an average revenue of EUR 875 million (2021: 933 MEUR) and improving EBIT (2021: 5.3 MEUR).

The revenue level in 2022 is influenced by the good level of investor volumes in housing construction, the lower number of developer contracted dwellings and the low order backlog. The completion of developer contracted dwellings will decrease in 2022 and clearly higher levels will have to wait until 2023-2024. This also reduces the possibilities of improving profitability. In business construction, the start of the year is weak based on the order backlog but we expect a recovery later in the year. The improved

profitability is influenced by the improved margin structure of the project portfolio, but risks are caused by cost pressures and company-specific challenges. The margin levels of old projects that overshadow performance can be weaker than we predict and add to the uncertainty of the earnings improvement.

We expect the Investments segment to turn profitable in 2022 (adj. EBIT: 2.3 MEUR). Rental income improves and COVID takes the backseat. However, the biggest impact will come from selling Pearl Plaza. We do not expect the sales of the shopping center to generate a considerable earnings effect as such but the recognition of the margin from construction to improve the result.

Clearer growth in 2023

We expect clearer business growth in 2023-2025, which also clearly improves profitability levels. In

2023, we expect revenue to recover and grow by some 9% due to the strengthening market for business premises and increasing number of developer contracted dwelling completions. In 2024, we expect revenue to increase by another 4% to EUR 998 million, driven by developer contracted dwellings. Thanks to a better sales mix, reduced cost pressures and efficiency, we expect the adjusted EBIT margin to increase to 3.7% in 2023 and further to 4.4% in 2024 but still be below the target level (6%).

The biggest estimate risks are related to old projects, how the housing market fares, recovery of the business premises market, rising cost pressures, and achieving a sustainable turnaround.

Estimate revisions MEUR / EUR	2022e		Change %	2023e		Change %	2024e		Change %
	Old	New		Old	New		Old	New	
Revenue	933	880	-6%	970	963	-1%	1007	996	-1%
EBITDA	38.2	34.3	-10%	49.3	42.9	-13%	59.5	51.0	-14%
EBIT (exc. NRIs)	30.3	27.7	-9%	41.3	36.0	-13%	51.5	43.9	-15%
EBIT	30.3	27.7	-9%	41.3	36.0	-13%	51.5	43.9	-15%
PTP	16.9	14.3	-16%	27.8	21.8	-22%	38.9	30.8	-21%
EPS (excl. NRIs)	0.05	0.04	-17%	0.08	0.06	-23%	0.12	0.09	-22%

Source: Inderes

Risks keep us at bay

Valuation is not attractive

We believe that acceptable valuation for the company should under normal circumstances be around 10-12x EV/EBIT. Due to the company's turnaround company profile, higher valuation multiples could possibly be accepted in the short term if risks permit. When the company reaches a sustainable higher earnings level, we believe the valuation level could be closer to the stock exchange average (14-15x).

The share's valuation level for 2022 (22e EV/EBIT (adj.) 12x, P/E (adj.): 13x) does not in our opinion offer upside considering the risks. There is a small discount to the upper end of the accepted valuation range. The valuation decreases in 2023 but considering the risks and visibility we would not rely on this.

The company will possibly distribute dividends from its 2023 earnings, so this does not really support valuation either. In any case, we feel that dividend is a poor support or driver for a cyclical share like SRV.

Peer group valuation

In relative terms, the company has been priced higher than the peers for 2022 (peer group median 22e: EV/EBIT: 10x, P/E: 13x). The premium for 2022 is about 14%. We feel the feasibility of a peer group analysis is weaker than normal due to the turnaround company profile. Considering the company's poor historical performance and uncertainties, we believe that, in normal circumstances, a clear discount compared to the peers should be accepted for the company. In our valuation, we use a discount of some 10% compared to the peers and follow the 2022 estimates.

DCF valuation

Our DCF model indicates a value of EUR 0.8 for SRV's share. In our estimate model, the company's revenue growth stabilize at 1% in the terminal period and the EBIT margin will be around 5% of net sales. There is upside in profitability estimates if the company's turnaround and business profile sustainably turn to a higher profitability level. However, the current 5% terminal assumption is already high in historical terms and requires a clear improvement from the company.

In the cash flow model, the average cost of capital (WACC-%) used is 8.7% and the cost of equity is 11.6%. There may also be downside in the cost of capital as risks decrease and operations stabilize, but it is already low considering the current situation.

Valuation	2022e	2023e	2024e
Share price	0.50	0.50	0.50
Market cap	131	131	131
EV	338	307	294
P/E (adj.)	13.4	7.8	5.5
P/B (oik.)	0.8	0.7	0.7
EV/Sales	0.4	0.3	0.3
EV/EBITDA	9.9	7.2	5.8
EV/EBIT (adj.)	12.2	8.5	6.7
Payout ratio (%)	0.0 %	31.0 %	32.8 %
Dividend yield-%	0.0 %	4.0 %	6.0 %

Source: Inderes

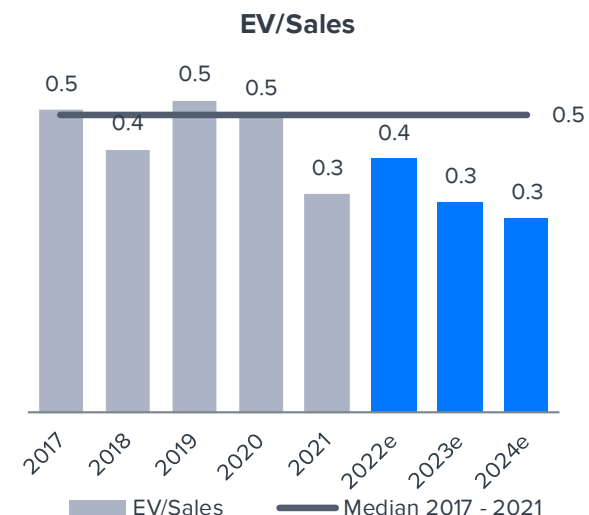
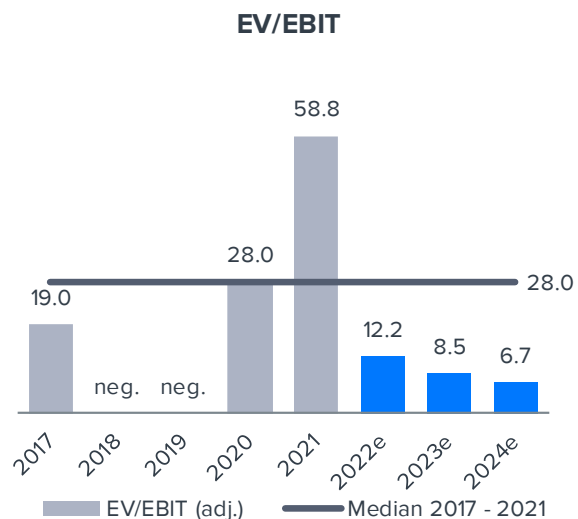
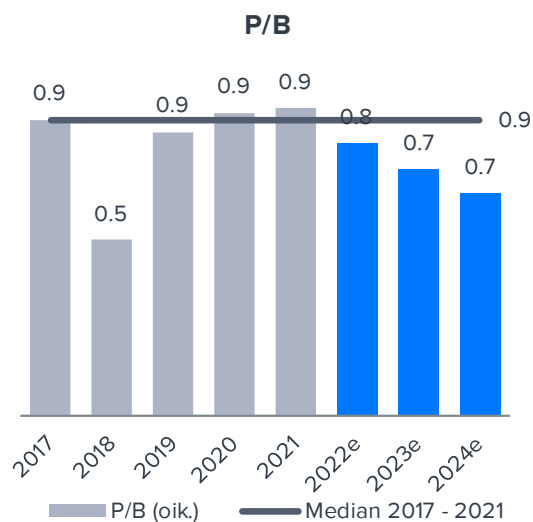
Target price formation



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e
Share price	3.60	1.70	1.36	0.59	0.53	0.50	0.50	0.50
Market cap	214	101	81	155	139	131	131	131
EV	511	383	502	441	309	338	307	294
P/E (adj.)	17.2	neg.	neg.	neg.	neg.	13.4	7.8	5.5
P/B (oik.)	0.9	0.5	0.9	0.9	0.9	0.8	0.7	0.7
EV/Sales	0.5	0.4	0.5	0.5	0.3	0.4	0.3	0.3
EV/EBITDA	24.3	neg.	neg.	21.7	67.2	9.9	7.2	5.8
EV/EBIT (adj.)	19.0	neg.	neg.	28.0	58.8	12.2	8.5	6.7
Payout ratio (%)	131.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	31.0 %	32.8 %
Dividend yield-%	1.7 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	4.0 %	6.0 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		P/B
			2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
Skanska AB	244.10	7929	10.1	9.2	8.1	6.9	0.5	0.5	14.7	13.6	2.1
Ncc AB	154.60	1764	9.7	7.4	5.8	5.3	0.4	0.3	10.6	9.8	2.5
Veidekke ASA	133.00	1506	10.2	9.5	6.2	5.8	0.4	0.4	16.6	15.7	5.6
Peab AB	106.90	4014	12.3	11.1	8.6	8.0	0.7	0.6	12.5	11.3	2.2
YIT Oyj	4.43	1408	10.3	8.8	8.2	7.2	0.5	0.5	10.9	8.9	0.9
Af Gruppen ASA	189.00	2179	12.9	11.0	9.4	8.3	0.7	0.7	19.0	16.1	6.9
Bonava AB (publ)	80.60	1231	7.4	6.7	7.9	6.7	0.7	0.7	8.4	7.0	1.0
Lehto Group Oyj	0.68	148	19.3	8.9	9.4	5.9	0.3	0.3	13.7	6.9	0.6
SRV Yhtiöt Oyj (Inderes)	0.50	338	12.2	8.5	9.9	7.2	0.4	0.3	13.4	7.8	0.7
Average			11.5	9.1	8.0	6.8	0.5	0.5	13.3	11.2	2.7
Median			10.3	9.1	8.1	6.8	0.5	0.5	13.1	10.5	2.2
Diff-% to median			19%	-6%	21%	5%	-29%	-37%	2%	-26%	-65%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company.

Income statement

Income statement	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue	1061	976	187	218	191	336	933	179	224	220	258	880	963	998	1020
Construction	1058	970	188	219	188	336	930	178	223	219	252	871	964	998	1022
Investments	6	5	1	1	4	1	7	1	1	1	6	9	2	2	0.0
EBITDA	-3.0	20.4	6.7	7.8	-0.2	-9.7	4.6	2.2	9.5	9.6	12.9	34.3	42.9	51.0	60.8
Depreciation	-90.0	-18.9	-1.5	-1.5	-1.4	-1.9	-6.3	-1.5	-1.5	-1.6	-2.1	-6.6	-6.9	-7.1	-7.6
EBIT (excl. NRI)	-96.8	15.8	4.8	5.7	-0.6	-4.7	5.3	0.8	8.0	8.0	10.8	27.7	36.0	43.9	53.3
EBIT	-93.0	1.5	5.2	6.3	-1.6	-11.6	-1.7	0.8	8.0	8.0	10.8	27.7	36.0	43.9	53.3
Construction	7.0	25.1	6.9	7.0	1.5	-1.3	14.1	1.4	8.4	7.8	7.7	25.4	41.6	49.9	59.3
Investments	-96.3	-5.7	-0.8	-0.4	-1.6	-1.8	-4.6	-0.6	-0.4	0.2	3.1	2.3	0.4	0.0	0.0
Net financial items	-29.3	-29.4	-4.1	-3.6	-2.9	-8.0	-18.6	-3.6	-3.3	-3.2	-3.3	-13.4	-14.2	-13.1	-11.4
PTP	-122.4	-28.0	1.1	2.6	-4.4	-19.6	-20.3	-2.8	4.7	4.8	7.5	14.3	21.8	30.8	41.9
Taxes	18.7	2.9	0.5	-0.5	0.4	0.1	0.5	0.6	-0.9	-1.0	-1.5	-2.9	-3.3	-5.2	-7.5
Minority interest	-0.7	2.3	-0.1	-0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-108.8	-22.9	1.5	2.0	-4.0	-19.3	-19.9	-2.3	3.8	3.9	6.0	11.4	18.5	25.6	34.3
EPS (adj.)	-1.85	0.00	0.00	0.00	-0.01	-0.05	-0.06	-0.01	0.01	0.01	0.02	0.04	0.06	0.09	0.13
EPS (rep.)	-1.85	-0.10	0.00	0.01	-0.01	-0.07	-0.08	-0.01	0.01	0.01	0.02	0.04	0.06	0.09	0.13
Key figures	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e	2025e
Revenue growth-%	10.5 %	-8.1 %	-10.1 %	-17.7 %	-8.9 %	15.0 %	-4.4 %	-4.2 %	2.6 %	15.0 %	-23.4 %	-5.6 %	9.4 %	3.6 %	2.2 %
Adjusted EBIT growth-%		-116.3 %	12.7 %	856.7 %	-110.7 %	-188.2 %	-66.7 %	-84.1 %	39.9 %	-1437.7 %	-331.0 %	426.8 %	30.0 %	22.0 %	21.4 %
EBITDA-%	-0.3 %	2.1 %	3.6 %	3.6 %	-0.1 %	-2.9 %	0.5 %	1.2 %	4.3 %	4.4 %	5.0 %	3.9 %	4.4 %	5.1 %	6.0 %
Adjusted EBIT-%	-9.1 %	1.6 %	2.6 %	2.6 %	-0.3 %	-1.4 %	0.6 %	0.4 %	3.6 %	3.6 %	4.2 %	3.1 %	3.7 %	4.4 %	5.2 %
Net earnings-%	-10.4 %	-1.7 %	-0.4 %	0.7 %	-1.8 %	-5.8 %	-2.3 %	-1.5 %	1.5 %	1.6 %	2.2 %	1.1 %	1.8 %	2.4 %	3.4 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	183	185	184	180	124
Goodwill	1.7	1.7	1.7	1.7	1.7
Intangible assets	1.2	0.9	0.7	0.6	0.5
Tangible assets	14.5	13.1	14.8	16.1	17.2
Associated companies	48.1	51.9	51.9	51.9	0.0
Other investments	22.2	24.7	24.7	24.7	24.7
Other non-current assets	53.7	50.2	50.2	50.2	50.2
Deferred tax assets	41.6	42.2	40.0	35.0	30.0
Current assets	716	502	493	559	579
Inventories	474	300	343	395	409
Other current assets	1.6	0.0	0.0	0.0	0.0
Receivables	144	133	114	125	130
Cash and equivalents	96.7	68.0	35.2	38.5	39.9
Balance sheet total	899	686	677	739	703

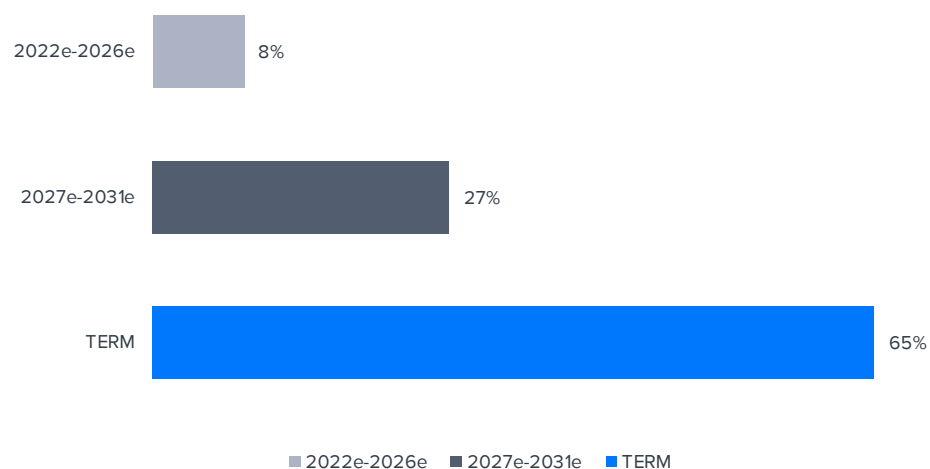
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	181	165	175	192	210
Share capital	3.1	3.1	3.1	3.1	3.1
Retained earnings	-78.2	-99.9	-90.1	-73.2	-54.5
Hybrid bonds	15.4	15.4	15.4	15.4	15.4
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	245	247	247	247	247
Minorities	-4.0	0.0	0.0	0.0	0.0
Non-current liabilities	404	244	246	265	182
Deferred tax liabilities	2.4	1.0	1.0	1.0	1.0
Provisions	12.4	13.0	13.0	13.0	13.0
Long term debt	368	216	217	236	153
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	20.8	14.8	14.8	14.8	14.8
Current liabilities	314	277	257	282	311
Short term debt	17.4	22.5	25.2	29.8	50.3
Payables	284	243	220	241	249
Other current liabilities	12.1	11.3	11.3	11.3	11.3
Balance sheet total	899	686	677	739	703

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	-1.7	27.7	36.0	43.9	53.3	52.0	53.0	54.1	55.2	56.3	56.9	
+ Depreciation	6.3	6.6	6.9	7.1	7.6	7.8	7.9	8.0	8.0	8.1	8.1	
- Paid taxes	-1.6	-0.7	1.7	-0.2	-2.5	-8.1	-8.4	-8.6	-8.8	-9.0	-9.1	
- Tax, financial expenses	-0.4	-2.7	-2.1	-2.2	-2.0	-2.3	-2.2	-2.2	-2.2	-2.2	-2.2	
+ 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	144	-47.3	-41.7	-10.0	-16.6	-16.5	-6.4	-6.6	-6.7	-6.8	-3.5	
Operating cash flow	146	-16.4	0.8	38.6	39.7	32.9	43.9	44.7	45.5	46.3	50.1	
+ Change in other long-term liabilities	-5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-3.6	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1	-8.1	-8.5	
Free operating cash flow	137	-24.5	-7.3	30.5	31.6	24.8	35.8	36.6	37.4	38.2	41.5	
+/- Other	-2.0	-1.6	-1.6	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	135	-26.1	-8.9	28.9	31.6	24.8	35.8	36.6	37.4	38.2	41.5	547
Discounted FCFF		-24.2	-7.6	22.7	22.8	16.5	21.9	20.6	19.4	18.2	18.2	240
Sum of FCFF present value		368	392	400	377	355	338	316	296	276	258	240
Enterprise value DCF		368										
- Interesting bearing debt		-238.0										
+ Cash and cash equivalents		68.0										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		198										
Equity value DCF per share		0.8										

Cash flow distribution



Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	35.0 %
Cost of debt	4.0 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.0 %
Cost of equity	11.6 %
Weighted average cost of capital (WACC)	8.7 %

Source: Inderes

Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	1060.9	975.5	932.6	880.4	963.3	EPS (reported)	-1.85	-0.10	-0.08	0.04	0.06
EBITDA	-3.0	20.4	4.6	34.3	42.9	EPS (adj.)	-1.85	0.00	-0.06	0.04	0.06
EBIT	-93.0	1.5	-1.7	27.7	36.0	OCF / share	-3.46	0.78	0.56	-0.06	0.00
PTP	-122.4	-28.0	-20.3	14.3	21.8	FCF / share	-1.96	0.98	0.52	-0.10	-0.03
Net Income	-110.2	-16.9	-21.9	9.8	16.9	Book value / share	2.98	1.06	0.63	0.67	0.73
Extraordinary items	3.8	-14.3	-7.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.02
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	913.3	898.9	686.3	677.0	738.9	Revenue growth-%	11%	-8%	-4%	-6%	9%
Equity capital	175.6	181.0	165.1	174.9	191.8	EBITDA growth-%	-79%	-776%	-77%	645%	25%
Goodwill	1.7	1.7	1.7	1.7	1.7	EBIT (adj.) growth-%	866%	-116%	-67%	427%	30%
Net debt	422.2	289.1	170.0	206.8	227.7	EPS (adj.) growth-%	402%	-100%	1449%	-166%	72%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	-0.3 %	2.1 %	0.5 %	3.9 %	4.4 %
EBITDA	-3.0	20.4	4.6	34.3	42.9	EBIT (adj.)-%	-9.1 %	1.6 %	0.6 %	3.1 %	3.7 %
Change in working capital	-196.8	120.9	143.6	-47.3	-41.7	EBIT-%	-8.8 %	0.1 %	-0.2 %	3.1 %	3.7 %
Operating cash flow	-206.0	135.8	146.2	-16.4	0.8	ROE-%	-53.2 %	-9.3 %	-12.5 %	5.8 %	9.2 %
CAPEX	-86.9	-19.8	-3.6	-8.1	-8.1	ROI-%	-15.1 %	0.2 %	-0.4 %	6.7 %	8.2 %
Free cash flow	-116.6	170.6	135.3	-26.1	-8.9	Equity ratio	21.3 %	22.4 %	27.9 %	30.1 %	29.9 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	240.5 %	159.7 %	102.9 %	118.3 %	118.8 %
EV/S	0.5	0.5	0.3	0.4	0.3						
EV/EBITDA (adj.)	neg.	21.7	67.2	9.9	7.2						
EV/EBIT (adj.)	neg.	28.0	58.8	12.2	8.5						
P/E (adj.)	neg.	neg.	neg.	13.4	7.8						
P/E	0.5	0.8	0.8	0.7	0.7						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	4.0 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
14-01-19	Reduce	2.00 €	2.00 €
07-02-19	Reduce	1.90 €	1.90 €
03-04-19	Reduce	1.75 €	1.74 €
24-04-19	Reduce	1.75 €	1.73 €
29-04-19	Reduce	1.70 €	1.77 €
17-05-19	Reduce	1.70 €	1.69 €
18-07-19	Reduce	1.60 €	1.69 €
11-10-19	Reduce	1.40 €	1.38 €
18-10-19	Reduce	1.25 €	1.30 €
01-11-19	Reduce	1.25 €	1.31 €
07-02-20	Reduce	1.25 €	1.30 €
07-04-20	Reduce	0.85 €	0.88 €
30-04-20	Reduce	1.05 €	1.08 €
25-05-20	Reduce	0.65 €	0.81 €
22-07-20	Accumulate	0.60 €	0.54 €
30-10-20	Reduce	0.58 €	0.55 €
16-11-20	Reduce	0.58 €	0.57 €
05-02-21	Reduce	0.58 €	0.56 €
30-04-21	Reduce	0.70 €	0.70 €
22.7.2021	Reduce	0.70 €	0.67 €
06-10-21	Accumulate	0.63 €	0.58 €
29-10-21	Reduce	0.55 €	0.57 €
14-12-21	Reduce	0.50 €	0.50 €
04-02-22	Reduce	0.50 €	0.50 €



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