

Kreate

Company report

7/17/2024



Olli Koponen
+358 44 274 9560
olli.koponen@inderes.fi

✓ Inderes corporate customer

This report is a summary translation of the report “Kannattavuus paranee oikeaan aikaan” published on 7/17/2024 at 6:38 am EEST

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Improving profitability at the right time

We reiterate our target price (EUR 8.50) and our Accumulate recommendation for Kreate after the company's Q2 report. Kreate's second quarter was promising in terms of both profitability and outlook. Profitability improved for the third consecutive quarter, while at the same time the market outlook for the different business areas has improved. Overall, the report did not lead to any significant changes in our forecasts. The valuation of the stock is moderate relative to the earnings improvement in the coming years, and the expected return is further supported by the strong dividend yield of 6%.

Profitability improved in the first half of the year

On Tuesday morning, Kreate published its Q2 report, which was better than expected. Revenue was still clearly down at 21% (Q2: 68 MEUR), but profitability was significantly improved beyond our expectations. EBITA was at the level of the comparison period at 2.6 MEUR (forecast: 2.2 MEUR) and the margin improved to 3.8% from 3.0% in the comparison period (forecast: 3.0%). Kreate has clearly managed to reverse its earnings trend at just the right time, as the infrastructure market seems to be picking up, especially in the demanding infrastructure sector where Kreate specializes. However, the order book was still down 24% from the comparison period at 200 MEUR. The level is still good by historical standards and the revenue recognition of the order book will also be stronger this year than in the past.

Market outlook in favor of better H2

As expected, Kreate's guidance remained unchanged. According to Kreate's guidance, revenue will decrease and amount to 270-300 MEUR in 2024 (2023: 320 MEUR). EBITA is expected to grow to 8-11 MEUR (2023: 7.8 MEUR). Much remains to be done in the second half of the year, but H2 can be expected to be better than H1 this year, as both the outlook and the order intake have taken a turn for the better. Our projections are below the midpoint of the guidance, but with a good accumulation of projects, Kreate has the potential to reach the upper end of the guidance. We forecast revenue to decline by 14% to 275 MEUR this year, but EBITA to increase to 9.2 MEUR (EBITA-%: 3.3%). Profitability will be supported in particular by the completion of old projects and project selectivity. Kreate is currently focused on improving its profitability and we forecast revenue to remain below the peak in 2023 (320 MEUR) in the coming years (2026e: 305 MEUR). We expect easing cost pressures, a better order book and higher volumes in 2025-2026 to bring profitability closer to Kreate's normalized level of 4% (2026e: EBITA-%: 3.9%). Targets are even higher (>5% EBITA), but inflationary developments (materials and wages) and the weakness of other construction (increased competition in infrastructure) still pose risks.

Moderate valuation and expected return supported by dividend

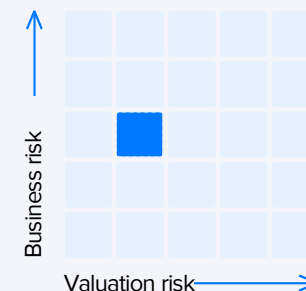
We forecast an increase in Kreate's earnings in 2024 and relative to that, the stock is priced at a reasonably neutral level (24e: EV/EBIT: 10x, P/E: 14x). An improving market and a positive earnings trend will bring Kreate's result back closer to normal in 2025, bringing the valuation down to a more attractive level (25e: EV/EBIT: 9x, P/E: 11x). At the mid-point of our acceptable valuation range (EV/EBIT: 10-12x, P/E: 10-12x) and based on the 2025 valuation, the stock would have upside of around 10%. The expected return is also clearly supported by a dividend yield of around 6-7%, underpinned by the strong cash flow provided by the business model. The DCF calculation is significantly higher (EUR 10.5), too, which supports our positive recommendation.

Recommendation

Accumulate
(previous Accumulate)

EUR 8.50
(previous EUR 8.50)

Share price:
7.82



Key figures

	2023	2024e	2025e	2026e
Revenue	320.0	275.2	292.9	304.9
growth-%	17%	-14%	6%	4%
EBITA (adj.)	7.8	9.2	11.1	12.1
EBITA-% (adj.)	2.4 %	3.3 %	3.8 %	4.0 %
Net Income	3.7	4.9	6.5	7.3
EPS (adj.)	0.44	0.56	0.74	0.82
P/E (adj.)	16.5	14.2	10.7	9.6
P/B	1.5	1.6	1.5	1.4
Dividend yield-%	6.6 %	6.2 %	6.4 %	6.5 %
EV/EBIT (adj.)	10.7	10.5	9.2	8.3
EV/EBITDA	5.8	6.3	5.8	5.3
EV/S	0.3	0.3	0.3	0.3

Source: Inderes

Guidance

(Unchanged)

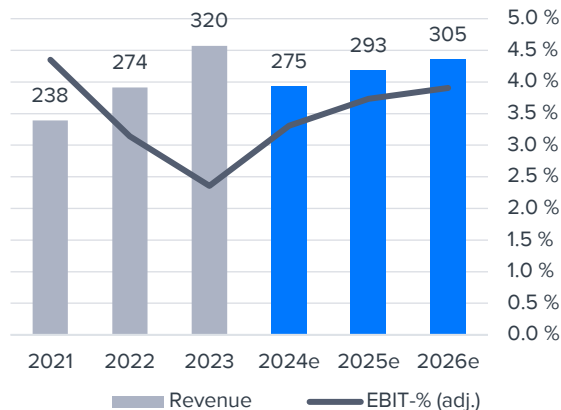
Kreate estimates that its revenue in 2024 will decline and be in the range of 270-300 MEUR (2023: 320 MEUR) and EBITA will increase and be in the range of 8-11 MEUR (2023: 7.8 MEUR).

Share price



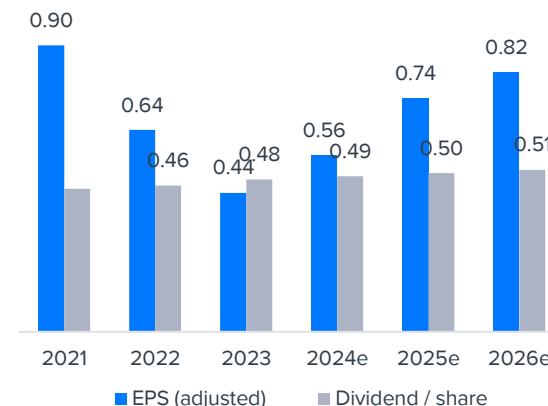
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

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



Risk factors

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

Valuation	2024e	2025e	2026e
Share price	7.82	7.82	7.82
Market cap	70	70	70
EV	95	100	99
P/E (adj.)	14.1	10.6	9.6
P/B	1.6	1.5	1.4
EV/Sales	0.3	0.3	0.3
EV/EBITDA	6.3	5.8	5.3
EV/EBIT (adj.)	10.4	9.2	8.3
Payout ratio (%)	88.3 %	68.0 %	62.4 %
Dividend yield-%	6.3 %	6.4 %	6.5 %

Source: Inderes

Very good report

Clear decline in revenue

In Q2, Kreate's revenue decreased by 21% to approximately 68 MEUR, below our forecast of 72.1 MEUR. Contrary to our expectations, the decline in revenue has accelerated even more since the beginning of the year, since Kreate's new projects are not yet in full swing and older large projects have been completed. Nevertheless, it was known that H1 revenue would be lower than H2 this year.

By business line, in H1, revenue decreased in Structural engineering by 28% to 87.5 MEUR. This was helped by an increase in business in Sweden (Sweden H1: 12.9 MEUR vs. 9.2 MEUR y/y), but revenue was reduced by the completion of major projects. In Transport infrastructure, revenue grew by 19% to 33.7 MEUR, as the market became less challenging and new projects got underway.

As expected, the order book continued to decline by 24.5%, but the level is very good compared to recent years and the rate of decline has slowed.

Relative profitability significantly improved

Despite the markedly lower revenue, Kreate's EBITA of 2.6 MEUR was at the level of the comparison period (Q2'23: 2.6 MEUR), exceeding our forecast of 2.2 MEUR by about 20%. The EBITA margin rose up to 3.8% from the comparison period (Q2'23: 3.0%), also well above our forecast of 3.0%. Profitability improved for the third quarter in a row as old fixed-price projects no longer weigh on the cost side. In addition, the growth investments made in previous years in Sweden and in the rail business seem to be bearing fruit.

In the lower earnings lines, financial expenses were slightly lower than expected and the result before tax was well above our expectations. Earnings per share of EUR 0.16 were at the same level as in the comparison period (Q2'23: 0.17 MEUR) and also exceeded our expectations of EUR 0.14.

Smaller negatives in the report include the weaker performance of joint venture KFS Finland Oy.

According to Kreate, the company's foundation construction volumes have decreased, which has led to a decline in results. Kreate's operating cash flow was also negative in H1 (-9.6 MEUR), but this was due to a change in net working capital from a very good to a normal level.

Guidance unchanged, outlook still picking up

According to Kreate's guidance, revenue will decrease and amount to 270-300 MEUR in 2024 (2023: 320 MEUR). The company expects EBITA to grow to 8-11 MEUR (2023: 7.8 MEUR). H2 of this year is expected to be better than H1, as both the outlook and order intake have taken a turn for the better. The market situation in infrastructure is currently very good, in particular for Kreate, and new projects are expected as bidding activity picks up. As a result, we anticipate that towards the end of the year, the order book and revenue will start to pick up.

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	85.7	68.0	72.1				-6%	275
EBITA (adj.)	2.6	2.6	2.2				18%	9.2
EBIT	2.5	2.6	2.1				22%	9.1
PTP	1.9	2.1	1.5				37%	6.3
EPS (reported)	0.17	0.16	0.14				16%	0.56
Revenue growth-%	27.8 %	-20.7 %	-15.9 %				-4.8 pp	-14.0 %
EBITA-% (oik.)	3.0 %	3.8 %	3.1 %				0.8 pp	3.3 %

Source: Inderes

Kreate's business

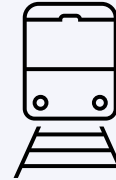
Structural engineering



78% of revenue 2023

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

Transport infrastructure construction



22% of revenue 2023

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

Project lifecycle

Project development

Design

Project implementation

Maintenance

Role of Kreate



Clients and customers often develop the project



Kreate partly involved in project design and studies

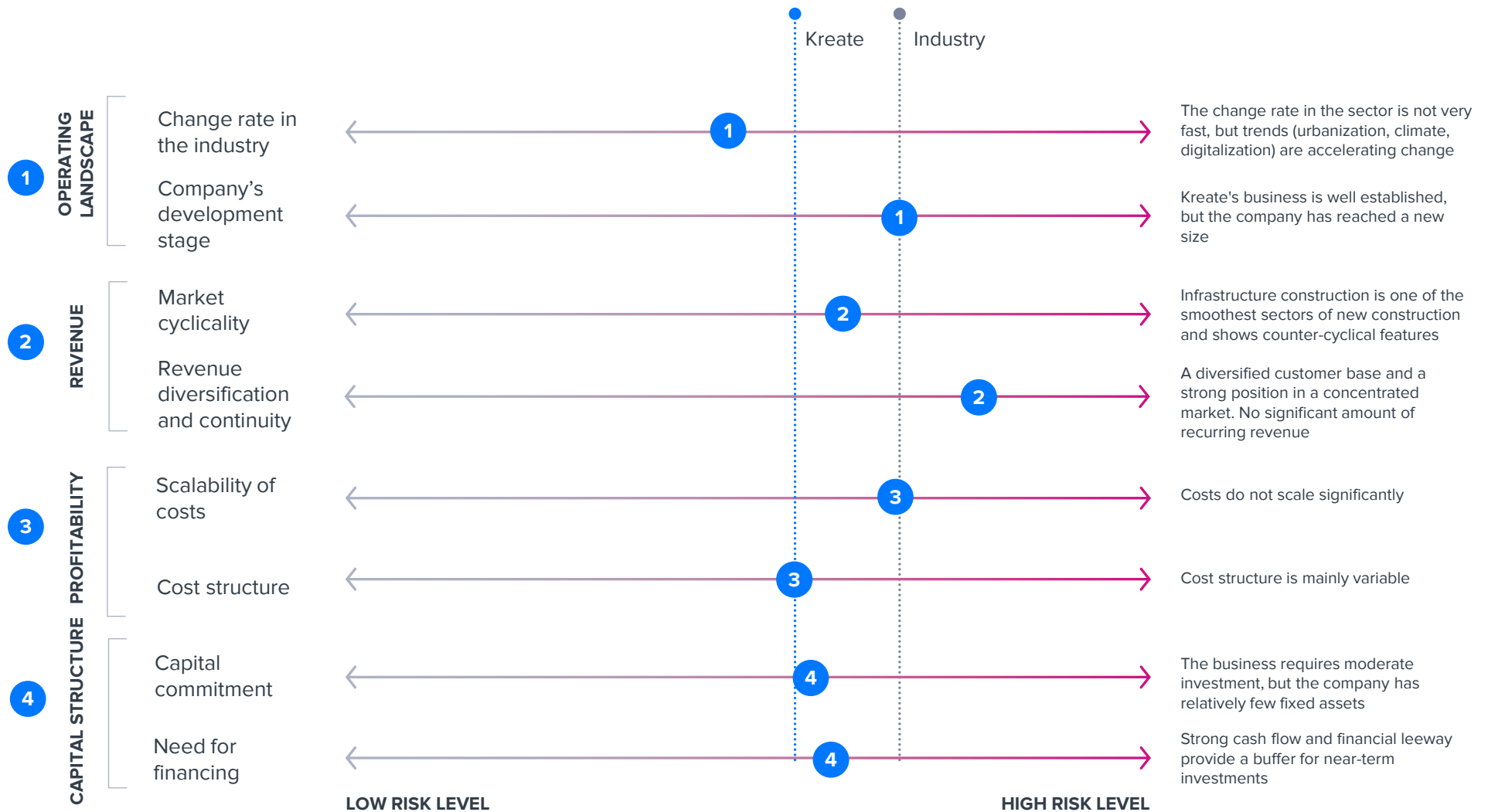


The main focus of Kreate's business is on the implementation



Maintenance and repair play a smaller role for Kreate

Risk profile of the business model



No significant forecast changes

Forecast changes 2024e-2026e

- We made no significant changes to our estimates
- Revenue underperformance in Q2 slightly lowered our revenue forecasts
- Better-than-expected relative profitability increased earnings forecasts somewhat
- The weak result of the associated company (KFS Finland) slightly reduced both the impact of Q2 results and our forecasts for the company's development

Operational earnings drivers 2024-2026e:

- A turnaround in the infrastructure market and an increase in volumes
- Moderation of cost pressures
- Leverage from rising volumes
- Completion of old cost-intensive projects in 2023
- Return on growth investments in railway construction and Sweden
- Easing of competitive pressure as other new construction recovers

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	279	275	-2%	297	293	-2%	310	305	-2%
EBITA (excl. NRIs)	9.1	9.2	1%	10.9	11.1	2%	11.9	12.1	1%
EBIT	9.0	9.1	1%	10.8	10.9	2%	11.8	11.9	1%
PTP	6.3	6.3	1%	8.3	8.5	2%	9.2	9.4	2%
EPS (excl. NRIs)	0.56	0.56	0%	0.73	0.74	1%	0.81	0.82	1%
DPS	0.49	0.49	0%	0.50	0.50	0%	0.51	0.51	0%

Source: Inderes

Expected return maintains a positive outlook

Absolute multiples

We forecast an increase in Kreate's earnings in 2024 and relative to that, the stock is priced at a reasonably neutral level (24e: EV/EBIT: 10x, P/E: 14x). However, with the turnaround in the preliminary earnings trend we have seen, we are already more confident about the longer-term potential.

An improving market and a positive earnings trend will bring Kreate's result back closer to normal in 2025, bringing the valuation down to a more attractive level (25e: EV/EBIT: 9x, P/E: 11x). At the mid-point of our acceptable valuation range (EV/EBIT: 10-12x, P/E: 10-12x) and based on the 2025 valuation, the stock would have upside of around 10%. The earnings level in 2025 will be closer to a sustainable normalized earnings level (EBITA% 3.7%), which is also where we expect the market to gravitate as Kreate moves forward.

The dividend yield of 6-7% for the coming years, enabled by the strong cash flow of the business model, also supports the expected return on the stock. Kreate has expressed its intention to pay an increasing dividend and we believe the company has the potential to do so, even if the dividend/earnings-% rises above 50% in the near future. The business does not require significant capital for investment, and now the company also has financing capacity for growth investments, e.g., if a good takeover target comes on the radar.

Peer group

A good peer group of Nordic listed companies in the industry is available for Kreate. Looking ahead to 2025, we believe the valuation level of peers is reasonably moderate (25e median EV/EBIT: 10x, P/E: 10x). Kreate is valued in line with its peers. However, the valuation of peers varies between a clear premium and a discount as forecast uncertainty is high. In that sense, we think relative valuation is not very important and we are not giving it much weight right now. However, the level of peers must be already considered to some extent in the absolute valuation of Kreate.

DCF valuation

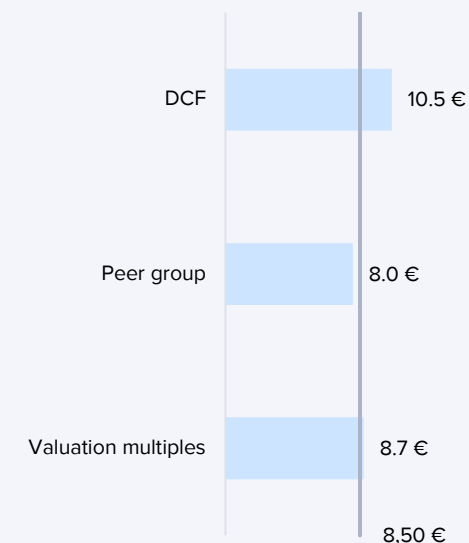
We also use DCF in the valuation. In our model, the company's revenue growth stabilizes at 1.5% in the terminal period after stronger medium-term growth, and the EBIT margin is 4.0% of revenue. This is below the company's target EBITA margin of over 5%, but we also do not see the company achieving this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

Our DCF model indicates a share value of EUR 10.5. The value indicated by the DCF is well above the current share price and our target price. However, we do not think our assumptions are too optimistic in the long run over a weaker market period. However, we do not see that the stock has the drivers over a 12-month time horizon to rise to reflect the longer-term potential we see in the company.

Valuation	2024e	2025e	2026e
Share price	7.82	7.82	7.82
Market cap	70	70	70
EV	95	100	99
P/E (adj.)	14.1	10.6	9.6
P/B	1.6	1.5	1.4
EV/Sales	0.3	0.3	0.3
EV/EBITDA	6.3	5.8	5.3
EV/EBIT (adj.)	10.4	9.2	8.3
Payout ratio (%)	88.3 %	68.0 %	62.4 %
Dividend yield-%	6.3 %	6.4 %	6.5 %

Source: Inderes

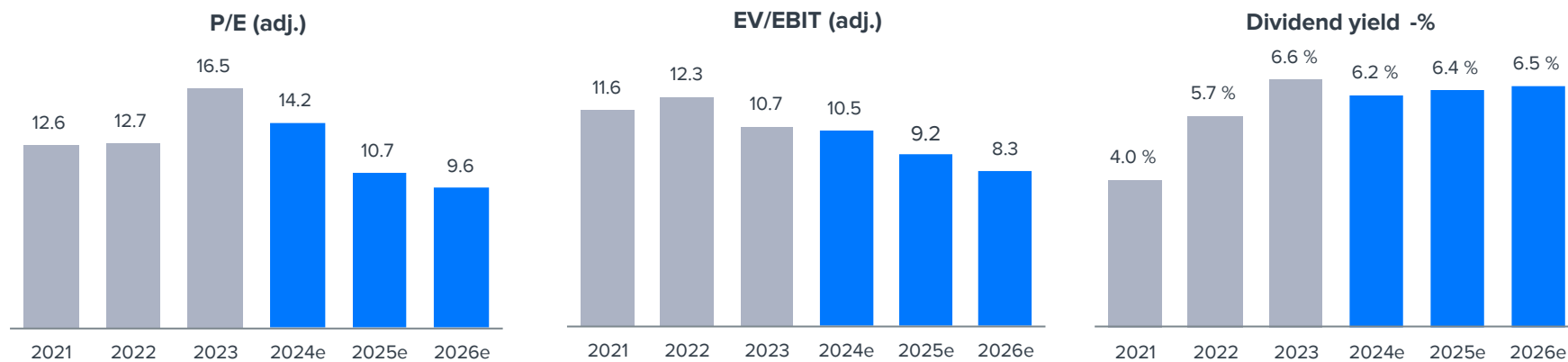
Target price breakdown



Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			11.4	8.09	7.22	7.82	7.82	7.82	7.82
Market cap			99	73	64	70	70	70	70
EV			120	106	81	95	100	99	96
P/E (adj.)			12.6	12.7	16.5	14.1	10.6	9.6	8.4
P/B			2.4	1.7	1.5	1.6	1.5	1.4	1.3
EV/Sales			0.5	0.4	0.3	0.3	0.3	0.3	0.3
EV/EBITDA			8.4	7.8	5.8	6.3	5.8	5.3	4.7
EV/EBIT (adj.)			11.6	12.3	10.7	10.4	9.2	8.3	7.3
Payout ratio (%)			56.4 %	72.4 %	109.7 %	88.3 %	68.0 %	62.4 %	56.1 %
Dividend yield-%			4.0 %	5.7 %	6.6 %	6.2 %	6.4 %	6.5 %	6.6 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/Revenue		P/E		Dividend yield-%		P/B
			2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
YIT Oyj	540	1486	64.6	24.0	33.7	18.2	0.8	0.7		77.6			0.6
NRC Group ASA	64	137	11.7	7.6	5.8	3.9	0.2	0.2	10.7	6.8		7.0	0.3
Veidekke ASA	1364	1211	9.4	8.7	5.5	5.2	0.3	0.3	13.8	12.9	6.8	7.1	5.0
Sdiptech AB (publ)	1092	1092	13.5	12.2	9.9	9.0	2.3	2.1	25.4	21.7			2.9
Ncc AB	1255	1632	11.2	11.0	6.5	6.4	0.3	0.3	10.5	10.3	5.3	5.4	1.8
Peab AB	1845	3363	17.8	17.2	10.6	10.2	0.7	0.7	13.9	13.2	3.3	4.2	1.3
Skanska AB	7344	7148	12.4	10.5	9.3	8.0	0.5	0.5	14.1	13.1	3.7	4.1	1.4
SRV Yhtiot Oyj	85	246	14.5	9.6	10.5	7.6	0.3	0.3	11.4	6.3		2.6	0.6
Consti Oyj	79	81	8.1	6.5	6.0	4.6	0.3	0.2	9.4	7.8	6.6	7.4	1.7
MT Hoejgaard Holding A/S	175	131	2.3	2.8	1.7	1.9	0.1	0.1	6.2	5.1			1.3
NYAB Group	33	8	0.3		0.3		0.0		1.7	1.4	24.0	32.7	0.2
Kreate (Inderes)	70	95	10.5	9.2	6.3	5.8	0.3	0.3	14.2	10.7	6.2	6.4	1.6
Average			15.1	11.0	9.1	7.5	0.5	0.6	11.7	16.0	8.3	8.8	1.6
Median			11.7	10.1	6.5	7.0	0.3	0.3	11.0	10.3	5.9	6.2	1.3
Diff-% to median			-11%	-9%	-3%	-18%	5%	4%	28%	4%	6%	4%	19%

Source: Refinitiv / Inderes

Income statement

Income statement	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	238	274	65.8	85.7	88.3	80.2	320	54.4	68.0	75.8	77.0	275	293	305	314
EBITDA	14.2	13.6	1.0	4.1	4.0	4.8	14.0	1.6	4.1	4.7	4.8	15.2	17.4	18.8	20.3
Depreciation	-3.9	-5.0	-1.4	-1.6	-1.2	-2.2	-6.4	-1.4	-1.5	-1.4	-1.8	-6.1	-6.5	-6.9	-7.2
EBITA (adj.)	10.5	8.8	-0.4	2.6	2.9	2.7	7.8	0.3	2.6	3.4	3.0	9.2	11.1	12.1	13.2
EBIT (excl. NRI)	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.2	2.6	3.3	3.0	9.1	10.9	11.9	13.1
EBIT	10.3	8.6	-0.4	2.5	2.8	2.6	7.6	0.2	2.6	3.3	3.0	9.1	10.9	11.9	13.1
Net financial items	-2.1	-1.9	-0.4	-0.6	-1.1	-0.8	-2.9	-0.8	-0.5	-0.9	-0.6	-2.8	-2.5	-2.5	-2.4
PTP	8.2	6.7	-0.9	1.9	1.7	1.9	4.7	-0.6	2.1	2.4	2.4	6.3	8.5	9.4	10.6
Taxes	-1.3	-1.1	0.2	-0.4	-0.3	-0.2	-0.7	0.1	-0.5	-0.5	-0.5	-1.4	-1.8	-2.0	-2.3
Minority interest	0.0	0.2	0.0	0.0	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Net earnings	6.9	5.8	-0.7	1.5	1.3	1.6	3.7	-0.6	1.6	2.0	1.9	4.9	6.5	7.3	8.2
EPS (adj.)	0.90	0.64	-0.08	0.17	0.16	0.18	0.44	-0.06	0.18	0.22	0.21	0.56	0.74	0.82	0.93
EPS (rep.)	0.80	0.64	-0.08	0.17	0.16	0.18	0.44	-0.06	0.18	0.22	0.21	0.56	0.74	0.82	0.93
Key figures	2021	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	1.0 %	15.3 %	30.6 %	27.8 %	20.5 %	-3.6 %	16.8 %	-17.4 %	-20.7 %	-14.1 %	-3.9 %	-14.0 %	6.4 %	4.1 %	3.0 %
Adjusted EBITA growth-%	0.1 %	-17.0 %	-134.5 %	9.2 %	-2.4 %	17.8 %	-10.5 %	-165.8 %	0.0 %	18.1 %	12.1 %	17.0 %	20.9 %	8.8 %	9.7 %
Adjusted EBITA-%	4.4 %	3.2 %	-0.6 %	3.0 %	3.3 %	3.4 %	2.4 %	0.5 %	3.8 %	4.5 %	3.9 %	3.3 %	3.8 %	4.0 %	4.2 %
Adjusted EBIT-%	4.4 %	3.1 %	-0.7 %	3.0 %	3.2 %	3.3 %	2.4 %	0.4 %	3.8 %	4.4 %	3.9 %	3.3 %	3.7 %	3.9 %	4.2 %
Net earnings-%	2.9 %	2.1 %	-1.1 %	1.8 %	1.6 %	2.0 %	1.2 %	-1.0 %	2.4 %	2.6 %	2.5 %	1.8 %	2.2 %	2.4 %	2.6 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	74.9	75.6	77.7	79.4	80.7
Goodwill	40.0	40.0	40.0	40.0	40.0
Intangible assets	0.7	0.5	0.5	0.6	0.6
Tangible assets	22.8	23.3	25.4	27.1	28.3
Associated companies	10.0	10.5	10.5	10.5	10.5
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.2	0.3	0.3	0.3	0.3
Deferred tax assets	1.2	1.0	1.0	1.0	1.0
Current assets	59.6	59.0	50.8	56.3	58.6
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	0.4	0.7	0.7	0.7	0.7
Receivables	49.8	34.6	35.8	43.9	45.7
Cash and equivalents	9.4	23.6	14.3	11.7	12.2
Balance sheet total	135	135	128	136	139

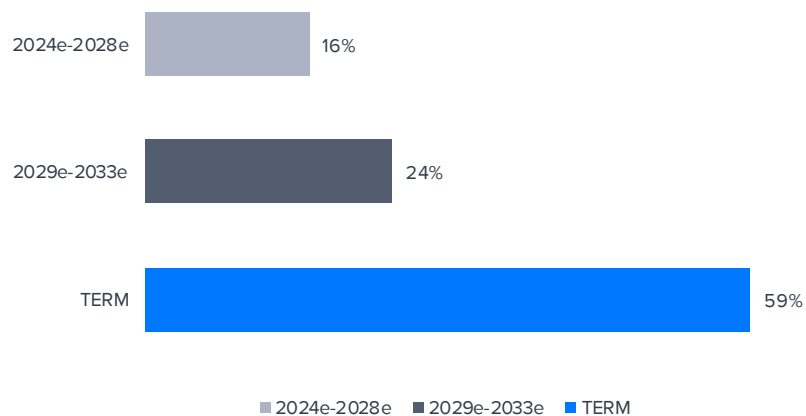
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	42.6	42.7	43.4	45.6	48.4
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	23.4	24.0	24.7	26.9	29.7
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	19.2	18.7	18.7	18.7	18.7
Minorities	-0.1	-0.1	-0.1	-0.1	-0.1
Non-current liabilities	35.4	34.0	33.8	25.5	34.8
Deferred tax liabilities	1.5	1.5	0.7	0.5	0.5
Provisions	1.9	3.1	3.1	3.1	3.1
Interest bearing debt	32.1	29.4	30.0	21.9	31.2
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	56.6	57.9	51.3	64.7	56.2
Interest bearing debt	10.7	11.0	10.0	20.7	10.4
Payables	45.5	46.8	41.3	43.9	45.7
Other current liabilities	0.4	0.0	0.0	0.0	0.0
Balance sheet total	135	135	128	136	139

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	16.8 %	-14.0 %	6.4 %	4.1 %	3.0 %	4.0 %	2.0 %	2.0 %	2.0 %	2.0 %	1.5 %	1.5 %
EBIT-%	2.4 %	3.3 %	3.7 %	3.9 %	4.2 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %
EBIT (operating profit)	7.6	9.1	10.9	11.9	13.1	13.1	13.3	13.6	13.9	14.1	14.4	
+ Depreciation	6.4	6.1	6.5	6.9	7.2	7.5	7.7	7.8	7.9	8.0	8.0	
- Paid taxes	-0.5	-2.2	-2.0	-2.0	-2.3	-2.3	-2.4	-2.4	-2.5	-2.5	-2.6	
- Tax, financial expenses	-0.5	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
+ 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	15.9	-6.7	-5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	28.9	5.7	9.3	16.2	17.5	17.7	18.1	18.4	18.8	19.0	19.3	
+ Change in other long-term liabilities	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-6.8	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.2	-8.0	
Free operating cash flow	23.3	-2.5	1.1	8.0	9.3	9.5	9.9	10.2	10.6	10.8	11.3	
+/- Other	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	23.5	-2.5	1.1	8.0	9.3	9.5	9.9	10.2	10.6	10.8	11.3	153
Discounted FCFF		-2.4	1.0	6.5	6.9	6.5	6.2	5.9	5.6	5.2	5.0	68.0
Sum of FCFF present value		114	117	116	109	102	95.9	89.7	83.8	78.3	73.0	68.0
Enterprise value DCF		114										
- Interest bearing debt		-40.4										
+ Cash and cash equivalents		23.6										
-Minorities		0.2										
-Dividend/capital return		-4.3										
Equity value DCF		93.5										
Equity value DCF per share		10.5										

Cash flow distribution

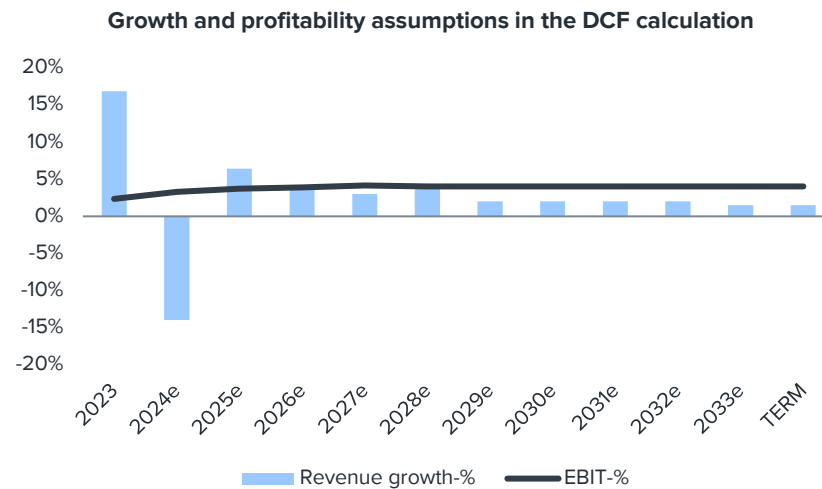
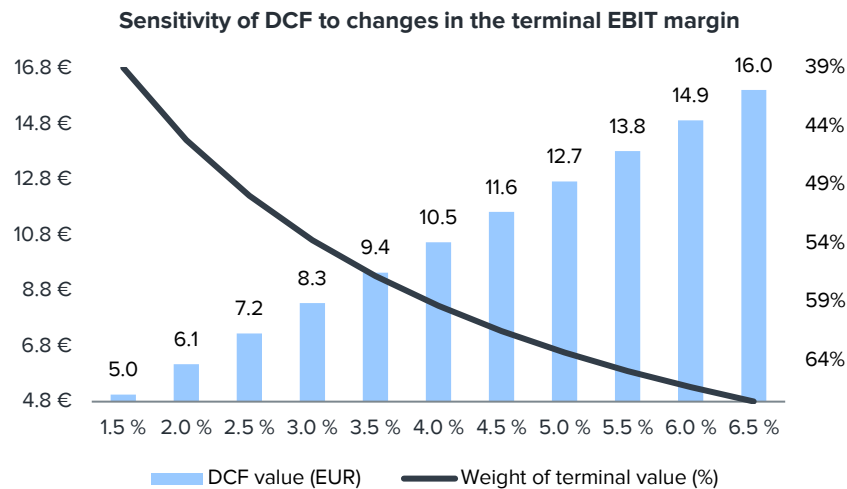
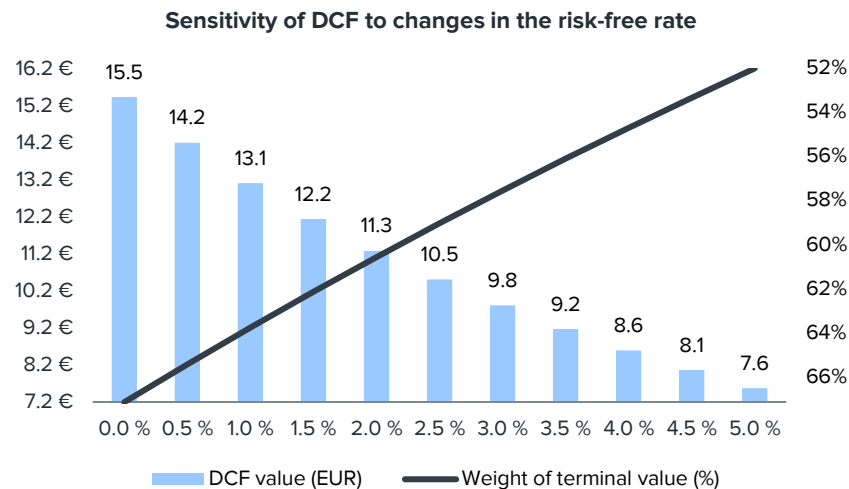
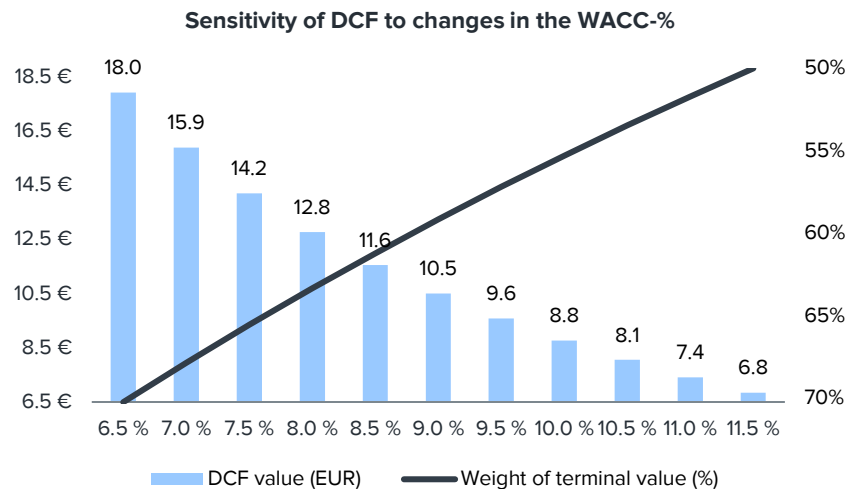


WACC

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

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



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

Summary

Income statement	2022	2023	2024e	2025e	Per share data	2022	2023	2024e	2025e
Revenue	273.9	320.0	275.2	292.9	EPS (reported)	0.64	0.44	0.56	0.74
EBITDA	13.6	14.0	15.2	17.4	EPS (adj.)	0.64	0.44	0.56	0.74
EBIT	8.6	7.6	9.1	10.9	OCF / share	0.88	3.25	0.64	1.05
PTP	6.7	4.7	6.3	8.5	FCF / share	-0.63	2.64	-0.28	0.13
Net Income	5.7	3.9	4.9	6.5	Book value / share	4.75	4.81	4.89	5.13
Extraordinary items	0.0	0.0	0.0	0.0	Dividend / share	0.46	0.48	0.49	0.50
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	134.5	134.6	128.5	135.8	Revenue growth-%	15%	17%	-14%	6%
Equity capital	42.6	42.7	43.4	45.6	EBITDA growth-%	-4%	3%	9%	15%
Goodwill	40.0	40.0	40.0	40.0	EBIT (adj.) growth-%	-17%	-12%	21%	20%
Net debt	33.4	16.8	25.7	30.9	EPS (adj.) growth-%	-29%	-31%	27%	32%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	5.0 %	4.4 %	5.5 %	5.9 %
EBITDA	13.6	14.0	15.2	17.4	EBIT (adj.)-%	3.1 %	2.4 %	3.3 %	3.7 %
Change in working capital	-4.1	15.9	-6.7	-5.5	EBIT-%	3.1 %	2.4 %	3.3 %	3.7 %
Operating cash flow	7.9	28.9	5.7	9.3	ROE-%	13.6 %	9.1 %	11.4 %	14.7 %
CAPEX	-12.8	-6.8	-8.2	-8.2	ROI-%	11.2 %	9.0 %	10.9 %	12.8 %
Free cash flow	-5.7	23.5	-2.5	1.1	Equity ratio	31.6 %	31.7 %	33.8 %	33.5 %
Valuation multiples	2022	2023	2024e	2025e	Gearing	78.5 %	39.3 %	59.3 %	67.9 %
EV/S	0.4	0.3	0.3	0.3					
EV/EBITDA	7.8	5.8	6.3	5.8					
EV/EBIT (adj.)	12.3	10.7	10.4	9.2					
P/E (adj.)	12.7	16.5	14.1	10.6					
P/B	1.7	1.5	1.6	1.5					
Dividend-%	5.7 %	6.6 %	6.3 %	6.4 %					

Source: Inderes

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Date	Recommendation	Target	Share price
11/22/2021	Buy	13.00 €	10.75 €
11/24/2021	Buy	13.00 €	11.45 €
1/27/2022	Accumulate	13.00 €	11.75 €
4/27/2022	Buy	12.00 €	9.00 €
7/28/2022	Buy	12.00 €	8.80 €
10/4/2022	Buy	11.00 €	8.02 €
10/27/2022	Buy	11.00 €	8.45 €
11/21/2022	Accumulate	10.50 €	8.92 €
1/12/2023	Accumulate	10.50 €	9.05 €
2/1/2023	Accumulate	10.50 €	9.30 €
5/2/2023	Accumulate	9.00 €	7.94 €
7/12/2023	Reduce	7.90 €	7.58 €
7/20/2023	Accumulate	7.90 €	7.44 €
10/26/2023	Accumulate	7.00 €	6.32 €
11/28/2023	Accumulate	7.30 €	6.84 €
2/1/2024	Accumulate	8.50 €	7.94 €
4/29/2024	Accumulate	8.50 €	7.80 €
7/17/2024	Accumulate	8.50 €	7.82 €



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Inderes Oyj

Itämerentori 2

FI-00180 Helsinki, Finland

+358 10 219 4690

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