Harvia

Company report

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Inderes corporate customer

This report is a summary translation of the report “Katseet kohti pääomamarkkinapäivää” published on 5/6/2024 at 8:10 am EEST

Eyes turn to CMD

Harvia’s Q1 result fell slightly short of our expectations, but mainly due to small delivery delays caused by the strikes. We made no substantial forecast changes for the coming years, but raised our medium-term assumptions slightly and subsequently our target price to EUR 30 (was EUR 28). Because of the high valuation, we reiterate our Sell recommendation.

Q1 fell a bit short of our expectations, strikes postponed deliveries

Harvia's revenue increased by 2% in Q1, or by 1% organically. This was below our expectations (5% reported growth). Harvia reported that the Finnish political strikes shifted net sales by 1-2 MEUR, while we assumed that the impact would be under 1 MEUR, so the revenue deviation is mainly caused by timing. Like in previous quarters, growth came fully outside of Europe, where North America grew by 24% and APAC & MEA by 23%, both faster than we expected. In Northern Europe, revenue decreased by 17%, which was weaker than we expected. The company blamed, e.g., the generally weak market, the weak situation in the construction sector and the changes in its important customer, K-Rauta, in Sweden for this. Sales in Continental Europe were practically at the level of the comparison period and close to our expectations. The timer factory acquired in Italy last year had a small inorganic effect. In terms of profitability, the material margin was better than we expected but, on the other hand, fixed costs were higher than estimated. Thus, the adjusted EBIT margin was 23.8%, roughly in line with our expectation (23.6%). Harvia’s sparse comments on the future contained no surprises. Our forecast changes for 2024-26 remained very small.

CMD on 5/29 could also bring updated financial targets

Harvia arranges its first CMD at the end of May. In this context, it would also be natural to update its financial targets. We believe that the company aims especially to accelerate growth, and thus, we believe that the growth target could be raised from the current “over 5%” level, or formulated, e.g., into a clear figure in euros. In terms of profitability, we believe that the company aims to maintain the current good level rather than achieve a clear improvement. We also feel the company’s comments and long-term incentives point in this direction. We do not expect any substantial changes to the strategy. The company is expected to emphasize the potential of countries outside Europe and the stronger drive in infrared and steam saunas.

Valuation is high, expected return is poor, although Harvia generates good value and cash flow

We find Harvia's valuation level (e.g. EV/EBIT 2024 20x, P/E 27x) high, although we consider the company's return on capital and its ability to allocate and generate cash flow excellent. In 2024-26, we expect an annual EBIT increase of some 10% from Harvia, in addition to which the investor will receive a dividend yield of 2%. The company’s current strong cash flow provides a cash-flow rate of 4-5%. We believe that Harvia’s capital allocation will continue to be value-creating, and thus channeling of cash into acquisitions and/or larger dividends will support the investor’s expected return. In our opinion, the most obvious positive risk is utilizing the strong balance sheet for a value-creating acquisition. We also see Harvia as a potential acquisition target, but with the current valuation, we find it quite expensive for the buyer. In the medium term (organic) earnings growth is limited to the revenue growth of good 5%. Overall, however, the expected return at this valuation level remains weak, especially on a 12-month horizon.

Recommendation

Sell
(previous Sell)

EUR 30.00
(previous EUR 28.00)

Share price:
38.00

Key figures

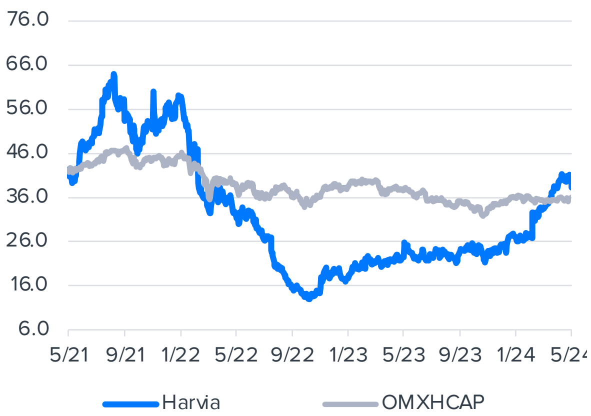
	2023	2024e	2025e	2026e
Revenue	151	161	176	191
growth-%	-13%	7%	9%	9%
EBIT adj.	33.7	36.4	40.9	45.4
EBIT-% adj.	22.4 %	22.6 %	23.2 %	23.7 %
Net Income	23.3	26.1	30.4	33.8
EPS (adj.)	1.28	1.41	1.63	1.81
P/E (adj.)	19.8	27.4	23.7	21.3
P/B	4.4	6.0	5.2	4.6
Dividend yield-%	2.7 %	1.9 %	2.1 %	2.6 %
EV/EBIT (adj.)	15.4	20.6	18.0	15.8
EV/EBITDA	13.2	17.7	15.6	13.9
EV/S	3.4	4.7	4.2	3.7

Source: Inderes

Guidance (Unchanged)

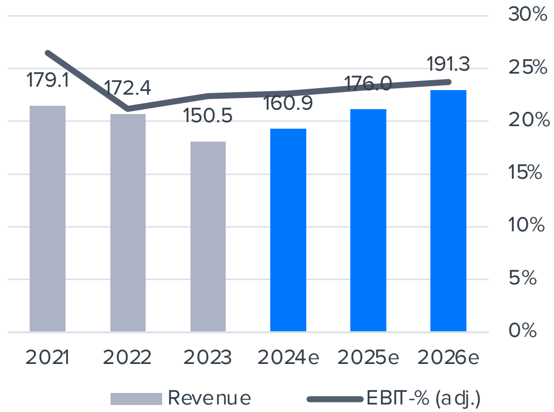
Harvia does not publish a short-term outlook. The company targets average annual revenue growth above 5% and 20% adjusted EBIT margin.

Share price



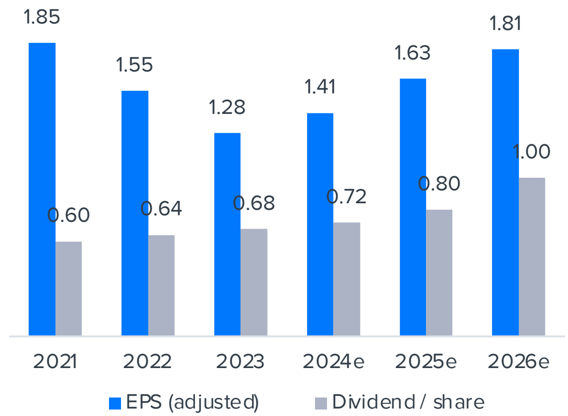
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Stably growing sauna and spa market in the longer term
- Leading market position and best profitability in the sector
- Strong cash flow and low investment need
- Revenue growth through complementing acquisitions and expansion of the reseller network

Risk factors

- Dependency on the Muurame plant
- Changes in the competitive field or position
- Economic fluctuations and fluctuations on the construction market may slow down growth
- Successful integration of acquisitions

Valuation	2024e	2025e	2026e
Share price	38.6	38.6	38.6
Number of shares, millions	18.7	18.7	18.7
Market cap	720	720	720
EV	751	735	717
P/E (adj.)	27.4	23.7	21.3
P/E	27.6	23.7	21.3
P/B	6.0	5.2	4.6
P/S	4.5	4.1	3.8
EV/Sales	4.7	4.2	3.7
EV/EBITDA	17.7	15.6	13.9
EV/EBIT (adj.)	20.6	18.0	15.8
Payout ratio (%)	51.4 %	49.2 %	55.2 %
Dividend yield-%	1.9 %	2.1 %	2.6 %

Source: Inderes

Q1 figures were slightly below expectations, strikes postponed deliveries

Revenue continued strong growth outside Europe, only slightly at Group level

Harvia's revenue increased by 2% in Q1, or by 1% organically. This was slightly below our expectations Harvia reported that the Finnish political strikes shifted net sales by 1-2 MEUR, while we assumed that the impact would be under 1 MEUR, so the revenue deviation is mainly caused by timing.

Like in previous quarters, growth came fully outside of Europe, where North America grew by 24% and APAC & MEA by 23%, both faster than we expected. Harvia now reported for the first time based on the new segment division, where the previous four European segments (Finland, Nordic countries, Germany, rest of Europe) have been formed into two segments (Northern Europe and Continental Europe). In Northern Europe, revenue decreased by 17%, which was weaker than we expected. The company blamed, e.g., the generally weak market, the weak situation in the construction sector and the changes in its important customer, K-Rauta, in Sweden for this. Sales in Continental Europe were practically at the level of the comparison period and close to our expectations. The timer factory acquired in Italy last year had a small inorganic effect.

Material margin continued as strong, fixed costs show growth investments

Harvia's Q1 material margin was very strong at 64.6%, which was clearly better than the comparison period and our expectations. This was supported by both the geographical sales distribution focusing more outside Europe, costs leveling and selling prices of products remaining good.

On the other hand, fixed costs increased and were higher than we expected. This partly reflects the company's investments in growth, e.g., through recruitment. Thus, the adjusted EBIT margin was largely in line with our forecasts. Lower than normal financial costs supported EPS.

Cash accumulates

Harvia's cash flow was also strong in Q1, as is typical for the company. Net debt/EBITDA was already down to 0.6x and at the end of the quarter the company had around 50 MEUR in cash. However, Harvia stated that it does not want to reduce its gross debt at this stage, as it is preparing for acquisitions. The company also has a relatively favorable interest rate on its loans thanks to the interest rate swap.

Estimates	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		Difference (%)	2024e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	41.4	42.4	43.4	43.9			-2%	161
EBITDA	10.8	11.5	11.8	12.3			-3%	42.4
EBIT (adj.)	9.3	10.1	10.3	-			-2%	36.4
EBIT	9.2	9.9	10.3	10.7			-3%	36.2
EPS (reported)	0.34	0.40	0.39	0.41			1%	1.40
Revenue growth-%	-18.6 %	2.4 %	5.0 %	6.1 %			-2.6 pp	6.9 %
EBIT-% (adj.)	22.5 %	23.8 %	23.6 %				0.2 pp	22.6 %

Source: Inderes & Bloomberg, 4 analysts (consensus)

No major forecast revisions, CMD at the end of May

Comments on the future are typically foggy

Harvia does not provide guidance or "offically" comment on the outlook in any way. Moreover, as our forecasts for the coming years are already in line with the company's financial targets (over 5% growth and over 20% EBIT margin), the company's comments do not provide much support for future assessment.

However, the company's CEO said that 2024 developments looks roughly similar to the rest of the year, with growth continuing outside Europe, Continental Europe stabilizing/recovering slightly and continued difficulties in Northern Europe. However, this is a typical comment from Harvia, and because of its backlog of only weeks' worth of orders the outlook is not that clear inside the company either.

No major forecast changes

Given the slightly larger shift in deliveries than expected, the Q1 figures were well in line with our expectations. In terms of margins, the material margin has remained higher than we expected, but on the other hand, fixed costs are not decreasing relative to revenue as we expected. This is also reflected in our forecasts, but at Group level the changes were minor.

CMD on May 29

Harvia arranges its first CMD at the end of May. In this context, it would also be natural to update its financial targets. We believe that the company especially aims to accelerate growth, and thus we believe that the growth target could be raised from the current “over 5%” level, or formulated, e.g., into a clear figure in euros. In terms of profitability, however, we believe that the company is more likely to repeat the current adjusted EBIT target of “over 20%”. This could, however, rise to the current profitability level (22-23%), but from a value creation viewpoint, we consider accelerating growth rather than improving profitability more essential for the company. We also feel the company’s comments and long-term incentives point in this direction.

We consider it likely that the company will remove the lower limit of the target level (net debt/EBITDA 1.5-2.5x). This is practically irrelevant when the company wants to maintain a strong balance sheet for acquisitions.

We do not expect any substantial changes to the strategy. The company is expected to highlight the potential of countries outside Europe and the stronger drive in infrared and steam saunas, including acquisitions.

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	Tot.	%	Old	New	%	Old	New	%
Revenue	162	161	-1%	176	176	0%	193	191	-1%
EBITDA	42.3	42.4	0%	47.6	47.2	-1%	51.6	51.6	0%
EBIT (exc. NRIs)	36.1	36.4	1%	40.2	40.9	2%	45.3	45.4	0%
EBIT	36.1	36.2	0%	40.2	40.9	2%	45.3	45.4	0%
EPS (excl. NRIs)	1.37	1.41	3%	1.60	1.63	2%	1.80	1.81	1%
DPS	0.72	0.72	0%	0.80	0.80	0%	0.00	1.00	

Source: Inderes

Expected return is still weak

Valuation is high

We expect Harvia to grow significantly starting from this year until the 2030s, and the company has proven its quality even during the difficult past few years. Although we find Harvia's multiples high for the next few years, we note that we expect the company's earnings growth and good cash flow to push multiples down over the years. However, the high valuation keeps the expected return weak in our view.

Earnings-based valuation

At 2024 earnings, Harvia's EV/EBIT valuation is around 20x and P/E over 25x, which we consider high levels. The 2026 EV/EBIT is good 15x, which is still highish. Harvia's historical valuation has been higher, but it is mainly due to the multiples of 2020-21 caused by the tremendous growth and share price rise. The valuation is supported by a return on capital of over 20% and considering both the good cash flow and rapidly strengthening balance sheet that provides opportunities for acquisitions and/or larger dividends.

With the P/E ratio, Harvia is priced at 27x with 2024 earnings, which translates into an earnings yield of close on 4%. With the current share price and a gradually rising 50-60% payout ratio, Harvia offers a dividend yield of some 2%. We estimate that Harvia's free cash flow is around 30-35 MEUR in the next few years, which at the current share price offers a cash-flow rate of 4-5%. Together with the earnings growth in the next few years, the expected return is still around 10%, but highish multiples already strongly price future earnings growth. Compared to the peers, Harvia's multiples are clearly higher, and Harvia is among the group's highest-valued shares. We do not consider this fully justified despite the company's excellent quality.

The sale of Harvia's unlisted competitor Sauna 360 to US Masco in July 2023 offers one approach to the valuation. The EV/S ratio of the transaction was 1.5x and EV/EBIT was around 14x with last year's figures, while Harvia's corresponding ratios for this year are 4.6x and 20x. Harvia's clearly higher EV/S ratio is due to better profitability. Compared to the valuation level (EV/EBIT) of the transaction, Harvia's valuation is higher, but the companies are different in many respects. At the turn of 23/24, there was also another transaction in the industry when Kohler, a US-based company, acquired Harvia's rival Klafs. However, the figures for this transaction have not been published. We also believe that Harvia is a potential acquisition target for large players similar to Masco and Kohler, but the current valuation already sets the price very high considering a possible bid.

DCF model

In our DCF model, we expect the company's revenue and earnings to grow by some 6% in 2026-2032 (EBIT margin 23-24%). We raised both assumptions by one percentage point in this report. The terminal growth assumption is 2.5% and profitability is 23%. We expect the level of investment to remain moderate throughout the decade, although investments are likely in the US.

The company's capital requirement is generally low and the return on capital is high, which enables strong cash flow and growth. So the expected growth can, in our opinion, be generated even with small investments. Our DCF model gives Harvia a debt-free value of about 620 MEUR, which means that the share capital is worth about 570 MEUR, or about EUR 30 per share.

Valuation	2024e	2025e	2026e
Share price	38.6	38.6	38.6
Number of shares, millions	18.7	18.7	18.7
Market cap	720	720	720
EV	751	735	717
P/E (adj.)	27.4	23.7	21.3
P/E	27.6	23.7	21.3
P/B	6.0	5.2	4.6
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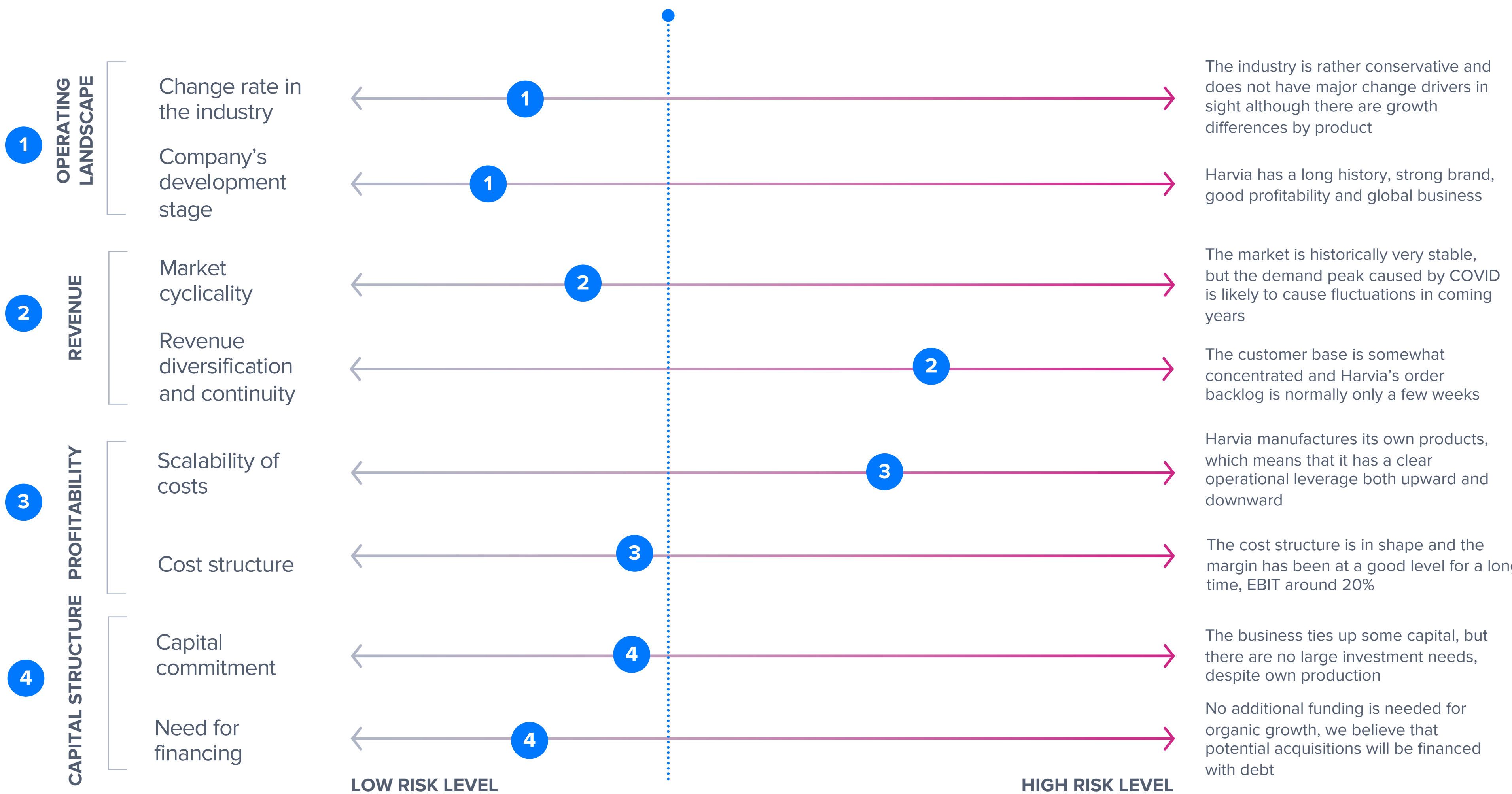
EV/Sales	4.7	4.2	3.7
EV/EBITDA	17.7	15.6	13.9
EV/EBIT (adj.)	20.6	18.0	15.8
Payout ratio (%)	51.4 %	49.2 %	55.2 %
Dividend yield-%	1.9 %	2.1 %	2.6 %

Source: Inderes

Risk profile of the business model

Assessment of Harvia's overall business risk



Source: Inderes

Investment profile 1/2 – Harvia's competitive advantages

Harvia has clear competitive advantages, especially in its core area: heaters and components

In our opinion, Harvia has several clear competitive advantages that support the profitable growth and value creation of the company. We also discuss these elsewhere in the report but give a summary of them here. The company's competitive advantages are of great importance for long-term success and thus crucial for share development. When discussing competitive advantages, we note that they mainly concern the market of Harvia's traditional product areas, i.e. wood/electric heaters and their components. These currently represent about 70% of Harvia's sales. However, in producing/selling ready-made saunas we feel the advantages are smaller but can be found in the same areas as for heaters and components. We will discuss these in more detail below.

Vertical integration and own design

Harvia designs and manufactures almost all the products it sells, as well as most of the components itself, i.e. it is vertically more integrated than a typical competitor. We believe this is one of Harvia's important competitive advantages, since broader supply chain management gives Harvia a larger share of the overall product margin than its competitors and enables unique and more efficient technical solutions. Related expertise has accumulated in Harvia over the decades and we believe that it is not easy to copy. Own design and efficient manufacturing also require some resources that small companies probably cannot afford.

We do not see a similar advantage in the sales of ready-made saunas at Harvia, although the construction of saunas can be seen as further vertical integration. This fits Harvia's strategy to take a bigger share of the entire sauna and spa market perfectly but we do not feel it brings an actual competitive advantage.

Economies of scale

Partly related to the previous point, Harvia's large production volumes also bring efficiency to production, which smaller competitors are unlikely to be able to achieve. This enables good profitability for Harvia also in lower price segment products (for heaters and components).

As regards saunas, Harvia has a relatively large volume and a new, efficient production plant in the US in comparison with its competitors, so the company has at least some advantage there. As business grows, this can become a clear competitive advantage. In other areas, we believe the scale of saunas is not currently ahead of competitors.

Strong brand(s)

The Harvia brand is very well known in all sauna markets. Because the decision-maker is often someone other than the end user/consumer, brand awareness is also important among professionals (wholesalers, electricians, architects, etc.). Harvia's long history and strong position especially in electric and wood-burning heaters directed at consumer use, guarantee its brand's reputation. Brands bought into the group, like EOS and Sentiotec, are strong in professional segment heaters and the Almost Heaven Saunas in the US sauna market complement the brand portfolio and product offering well.

In ready-made saunas, Harvia should be able to utilize its well-known brand, especially in Europe. However, the importance of the brand in sauna construction in general is supposedly less important than in heaters, which also reduces the importance of this competitive advantage for saunas.

Extensive and long-term distribution relationships

As the products in Harvia's product groups are primarily sold through distributors, the distribution network and distributor relationships are important. With its long history and wide product range, Harvia has an extensive distribution network and often decades long customer relations. Compared to competitors in the industry, we see this more as a result of Harvia's other competitive advantages. However, the barrier to entry in the industry, at least on a larger scale, is hampered by the well-established positions of existing operators in the main sales channels.

Investment profile 2/2

1. Strong market position and globally well-known brand

2. Vertical integration and long experience support high profitability

3. Low investment need supports creation of strong free cash flow

4. The company's ROIC is high and well above the required return, i.e. the company creates value

5. Expansion to new markets and/or new product categories

6. Historically a stably growing market

Potential

- **Increasing the value of average purchases** by expanding the product portfolio, with up-selling and by selling products with more advance features and entire sauna solutions
- **Geographical expansion** both organically and inorganically (90% of sauna markets are located outside Finland)
- **Complementing acquisitions** on the fragmented global sauna and spa market have already generated shareholder value and we believe Harvia will continue making complementing acquisitions if suitable targets are found. In our opinion, natural targets would be, for example, steam generators or infrared emitters, where Harvia has a weaker position and/or related more extensive sauna units.

Risks

- **Demand recovery after the current weaker period** After the high demand during the COVID era and the subsequent decline partly due to weakening purchasing power, the growth outlook for the coming years is clearly more uncertain than historically especially in Europe
- **Dependence on the Muurame plant** is one of the biggest risks associated with the continuity of Harvia's operations, although more extensive production resulting from the acquisitions has stabilized this risk
- **Acquisition risks:** Price paid in possible future acquisitions and integration of operations generate their own operational risk

Source: Inderes

Financial targets

Financial objectives (issued in connection with the IPO in 2018)

Annual revenue growth of over 5% on average

- Harvia grew strongly in 2020-21, while in 2022-23 revenue decreased/will decrease
- Historic market growth is around 5% p.a., so the target requires slightly faster growth than market growth
- As an average level, and after a stabilization of COVID-supported demand, we consider the growth target realistic for Harvia and the company will reach it until the end of the decade

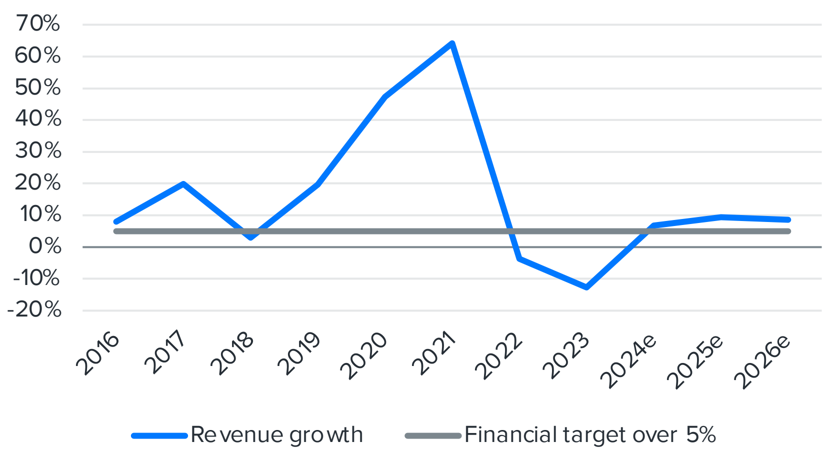
Adjusted EBIT margin over 20%

- Harvia's historic profitability has been on both sides of the 20% target, clearly stronger in the peak year 2021
- We believe that Harvia will continue to be able to achieve the targeted margin level
- However, the level is already at the top of the industry and we believe that investing in growth is more sensible than maximizing profitability for Harvia's value creation However, we expect the margin to remain at a strong 23-24% level in the coming years

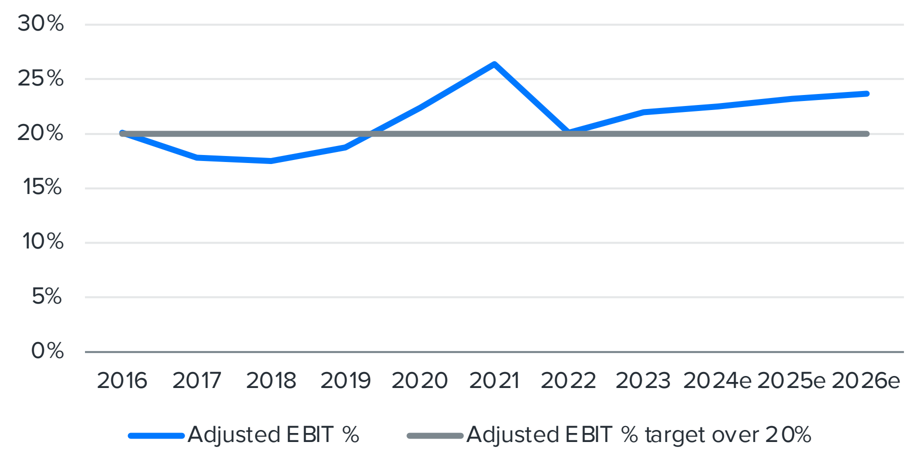
Net debt/adjusted EBITDA 1.5x-2.5x

- Harvia's cash flow is strong and investment needs smallish
- Thus, in normal circumstances, the company is able to repay its debt nicely and it is mainly increased by possible acquisitions
- Harvia stood at 0.6x at the end of Q1'24
- We believe that Harvia will remain in the target range, or below it, also in the future. Harvia keeps the balance sheet strong for possible acquisitions

Revenue growth target



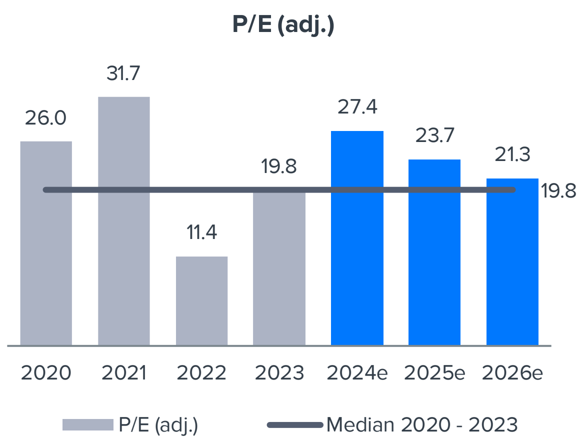
EBIT % target

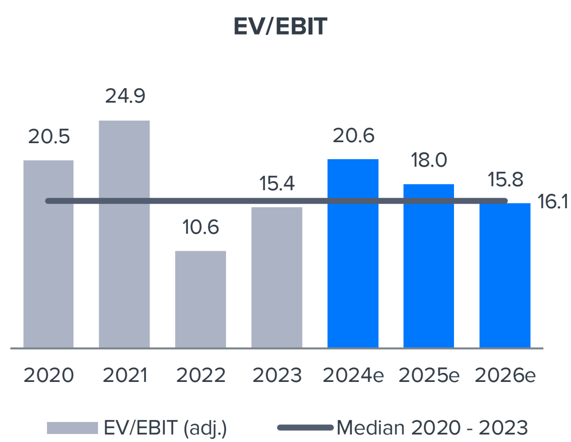


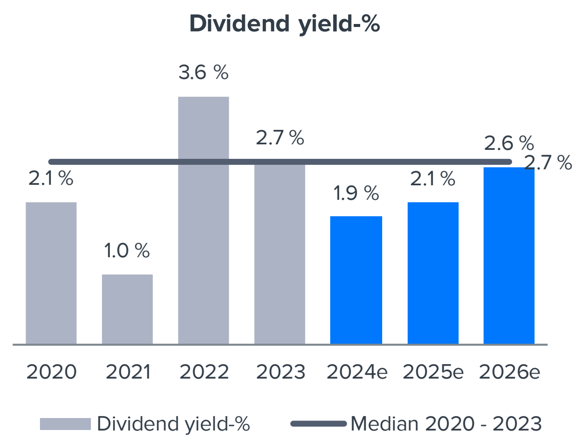
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	10.6	24.5	58.7	17.7	25.5	**38.6**	**38.6**	**38.6**	**38.6**
Number of shares, millions	18.7	18.6	18.6	18.7	18.7	**18.7**	**18.7**	**18.7**	**18.7**
Market cap	198	457	1091	330	476	**720**	**720**	**720**	**720**
EV	224	503	1181	388	518	**751**	**735**	**717**	**700**
P/E (adj.)	19.5	26.0	31.7	11.4	19.8	**27.4**	**23.7**	**21.3**	**19.4**
P/E	20.6	29.5	32.4	12.2	20.4	**27.6**	**23.7**	**21.3**	**19.4**
P/B	2.9	6.9	13.5	3.4	4.4	**6.0**	**5.2**	**4.6**	**4.1**
P/S	2.7	4.2	6.1	1.9	3.2	**4.5**	**4.1**	**3.8**	**3.5**
EV/Sales	3.0	4.6	6.6	2.3	3.4	**4.7**	**4.2**	**3.7**	**3.4**
EV/EBITDA	13.6	18.8	22.5	9.2	13.2	**17.7**	**15.6**	**13.9**	**12.6**
EV/EBIT (adj.)	16.1	20.5	24.9	10.6	15.4	**20.6**	**18.0**	**15.8**	**14.3**
Payout ratio (%)	74%	61%	33%	44%	55%	**51%**	**49%**	**55%**	**60%**
Dividend yield-%	3.6 %	2.1 %	1.0 %	3.6 %	2.7 %	**1.9 %**	**2.1 %**	**2.6 %**	**3.1 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Thule Group AB	2719	2895	19.2	16.7	16.6	14.7	3.4	3.2	24.5	21.1	3.3	3.5	4.2
Nobia AB	275	705	38.8	18.1	8.5	6.2	0.7	0.7		12.4	2.4	8.6	0.4
Dometic Group AB	2145	3441	12.8	11.0	9.3	8.2	1.5	1.4	14.8	11.4	2.5	3.3	0.9
Nokian Tyres plc	1112	1508	18.5	11.9	6.9	5.5	1.1	1.0	25.8	13.9	6.8	6.5	0.8
Rapala VMC Oyj	113	224	15.5	11.8	8.6	7.0	0.9	0.9	44.6	17.1	1.2	1.0	0.7
Husqvarna AB	4286	5619	13.4	11.6	8.4	7.6	1.3	1.2	16.2	13.3	3.6	3.9	2.0
Inwido AB	679	838	11.5	9.8	8.1	7.2	1.1	1.1	14.2	11.3	4.6	4.9	1.5
Nibe Industrier AB	8638	10201	22.2	17.8	17.0	14.0	2.6	2.4	28.6	22.1	1.1	1.4	3.1
Technogym SpA	1793	1675	14.6	12.6	10.0	9.0	1.9	1.8	20.9	18.0	3.1	3.6	4.6
Rockwool A/S	6642	6403	13.0	12.1	8.6	8.1	1.8	1.7	17.5	16.2	1.9	2.0	2.2
Kingspan Group PLC	15235	16534	18.9	17.2	15.0	13.8	2.0	1.9	22.6	20.4	0.7	0.7	3.4
Electrolux AB	2240	4730	24.3	9.1	6.5	4.5	0.4	0.4	201.3	7.3		6.4	2.2
De' Longhi SpA	4692	4015	10.0	9.0	7.7	7.0	1.2	1.1	16.3	14.8	2.4	2.7	2.3
Tulikivi	27	38	9.4	12.6	6.3	6.3	1.0	1.1	11.7	11.7	4.3	4.3	1.4
Harvia (Inderes)	**720**	**751**	**20.6**	**18.0**	**17.7**	**15.6**	**4.7**	**4.2**	**27.4**	**23.7**	**1.9**	**2.1**	**6.0**
Average			**17.3**	**12.9**	**9.8**	**8.5**	**1.5**	**1.4**	**35.3**	**15.1**	**2.9**	**3.8**	**2.1**
Median			**15.0**	**12.0**	**8.5**	**7.4**	**1.2**	**1.2**	**20.9**	**14.3**	**2.5**	**3.6**	**2.1**
Diff-% to median			***37%***	***50%***	***108%***	***112%***	***278%***	***258%***	***31%***	***66%***	***-25%***	***-42%***	***183%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**172**	**41.4**	**35.8**	**33.9**	**39.4**	**151**	**42.4**	**39.7**	**36.3**	**42.6**	**161**	**176**	**191**	**204**
EBITDA	**42.2**	**10.8**	**9.3**	**8.3**	**10.9**	**39.3**	**11.5**	**10.2**	**9.2**	**11.6**	**42.4**	**47.2**	**51.6**	**55.4**
Depreciation	-7.5	-1.6	-1.5	-1.5	-1.7	-6.3	-1.6	-1.6	-1.6	-1.6	-6.3	-6.2	-6.2	-6.3
EBIT (excl. NRI)	**36.5**	**9.3**	**8.0**	**6.8**	**9.6**	**33.7**	**10.1**	**8.7**	**7.6**	**10.0**	**36.4**	**40.9**	**45.4**	**49.1**
EBIT	**34.7**	**9.2**	**7.8**	**6.8**	**9.2**	**33.0**	**9.9**	**8.7**	**7.6**	**10.0**	**36.2**	**40.9**	**45.4**	**49.1**
Net financial items	2.1	-0.9	-0.9	-0.7	-1.0	-3.5	-0.1	-0.7	-0.7	-0.7	-2.2	-1.5	-1.5	-0.9
PTP	**36.8**	**8.3**	**6.9**	**6.1**	**8.2**	**29.5**	**9.8**	**8.0**	**6.9**	**9.3**	**34.0**	**39.4**	**43.9**	**48.2**
Taxes	-8.7	-2.0	-1.7	-1.6	-1.0	-6.3	-2.3	-1.8	-1.6	-2.1	-7.9	-9.1	-10.1	-11.1
Minority interest	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**27.1**	**6.3**	**5.3**	**4.5**	**7.2**	**23.3**	**7.5**	**6.1**	**5.3**	**7.2**	**26.1**	**30.4**	**33.8**	**37.1**
EPS (adj.)	**1.55**	**0.34**	**0.29**	**0.24**	**0.41**	**1.28**	**0.41**	**0.33**	**0.28**	**0.39**	**1.41**	**1.63**	**1.81**	**1.99**
EPS (rep.)	**1.45**	**0.34**	**0.28**	**0.24**	**0.39**	**1.25**	**0.40**	**0.33**	**0.28**	**0.39**	**1.40**	**1.63**	**1.81**	**1.99**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	-3.8 %	-18.6 %	-22.2 %	-9.3 %	3.4 %	-12.7 %	2.4 %	10.8 %	6.8 %	8.1 %	6.9 %	9.4 %	8.7 %	6.5 %
Adjusted EBIT growth-%	-23.1 %	-22.9 %	-7.5 %	-12.0 %	19.5 %	-7.6 %	8.4 %	8.7 %	11.2 %	4.5 %	7.9 %	12.4 %	10.9 %	8.2 %
EBITDA-%	24.5 %	26.0 %	26.0 %	24.5 %	27.5 %	26.1 %	27.2 %	25.7 %	25.2 %	27.2 %	26.4 %	26.8 %	27.0 %	27.2 %
Adjusted EBIT-%	21.2 %	22.5 %	22.2 %	20.1 %	24.4 %	22.4 %	23.8 %	21.8 %	21.0 %	23.6 %	22.6 %	23.2 %	23.7 %	24.1 %
Net earnings-%	15.7 %	15.3 %	14.7 %	13.2 %	18.3 %	15.5 %	17.7 %	15.4 %	14.7 %	16.9 %	16.2 %	17.2 %	17.7 %	18.2 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**118**	**115**	**113**	**111**	**109**
Goodwill	73.4	73.4	73.4	73.4	73.4
Intangible assets	10.5	8.7	8.9	9.1	9.3
Tangible assets	29.2	29.4	27.2	24.9	23.4
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	3.9	2.4	2.4	2.4	2.4
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.4	1.0	1.0	1.0	1.0
Current assets	**90.3**	**99.4**	**96.6**	**97.6**	**120**
Inventories	45.3	35.5	38.6	42.2	45.9
Other current assets	1.0	4.6	4.6	4.6	4.6
Receivables	18.7	18.7	20.9	22.9	24.9
Cash and equivalents	25.3	40.6	32.4	27.9	44.6
Balance sheet total	**209**	**214**	**209**	**208**	**229**

Source: Inderes

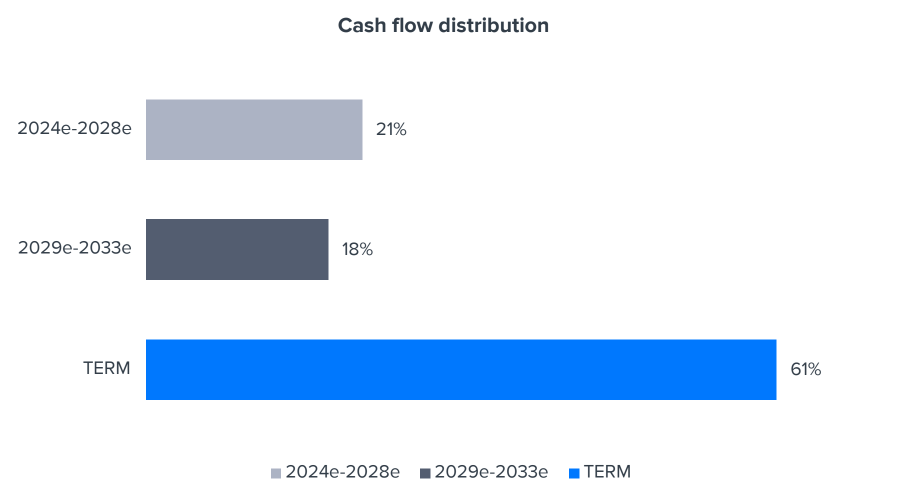
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**98.4**	**109**	**122**	**139**	**158**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	63.8	75.1	88.5	105	124
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	33.4	32.4	32.4	32.4	32.4
Minorities	1.1	1.1	1.1	1.1	1.1
Non-current liabilities	**84.6**	**80.8**	**59.4**	**39.9**	**39.9**
Deferred tax liabilities	1.7	1.2	1.2	1.2	1.2
Provisions	2.0	2.0	2.0	2.0	2.0
Interest bearing debt	77.3	77.4	56.0	36.5	36.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.6	0.2	0.2	0.2	0.2
Current liabilities	**25.8**	**24.7**	**27.9**	**29.5**	**31.6**
Interest bearing debt	2.6	0.8	0.0	0.0	0.0
Payables	18.7	18.0	22.5	24.6	26.8
Other current liabilities	4.5	5.9	5.4	4.9	4.9
Balance sheet total	**209**	**214**	**209**	**208**	**229**

DCF calculation

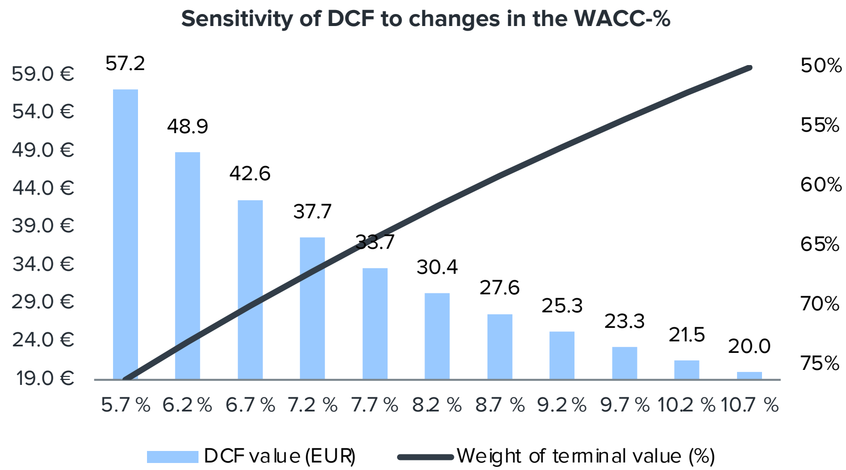
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-12.7 %	6.9 %	9.4 %	8.7 %	6.5 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	2.5 %	2.5 %
EBIT-%	21.9 %	22.5 %	23.2 %	23.7 %	24.1 %	23.0 %	23.0 %	23.0 %	23.0 %	23.0 %	23.0 %	23.0 %
EBIT (operating profit)	**33.0**	**36.2**	**40.9**	**45.4**	**49.1**	**49.7**	**52.7**	**55.8**	**59.2**	**62.7**	**64.3**	
+ Depreciation	6.3	6.3	6.2	6.2	6.3	6.0	6.0	6.2	6.5	6.5	7.2	
- Paid taxes	-6.4	-7.9	-9.1	-10.1	-11.1	-11.4	-12.1	-12.9	-13.6	-14.4	-14.8	
- Tax, financial expenses	-0.7	-0.5	-0.3	-0.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	
+ 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	6.9	-1.3	-4.0	-3.5	-2.9	-2.8	-3.0	-3.2	-3.3	-3.6	-1.6	
Operating cash flow	**39.1**	**32.7**	**33.8**	**37.6**	**41.3**	**41.5**	**43.6**	**46.0**	**48.7**	**51.2**	**55.1**	
+ Change in other long-term liabilities	-3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-3.2	-4.2	-4.2	-4.9	-5.5	-6.1	-6.9	-7.7	-8.5	-9.5	-9.5	
Free operating cash flow	**32.5**	**28.5**	**29.6**	**32.7**	**35.7**	**35.3**	**36.7**	**38.4**	**40.2**	**41.7**	**45.6**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	32.5	28.5	29.6	32.7	35.7	35.3	36.7	38.4	40.2	41.7	45.6	819
Discounted FCFF		**27.1**	**25.9**	**26.6**	**26.8**	**24.5**	**23.5**	**22.7**	**22.0**	**21.1**	**21.3**	**382**
Sum of FCFF present value		623	596	570	544	517	493	469	446	425	403	382
Enterprise value DCF		**623**										
- Interest bearing debt		-78										
+ Cash and cash equivalents		41										
-Minorities		-7										
-Dividend/capital return		-13										
Equity value DCF		**567**										
Equity value DCF per share		**30.4**										

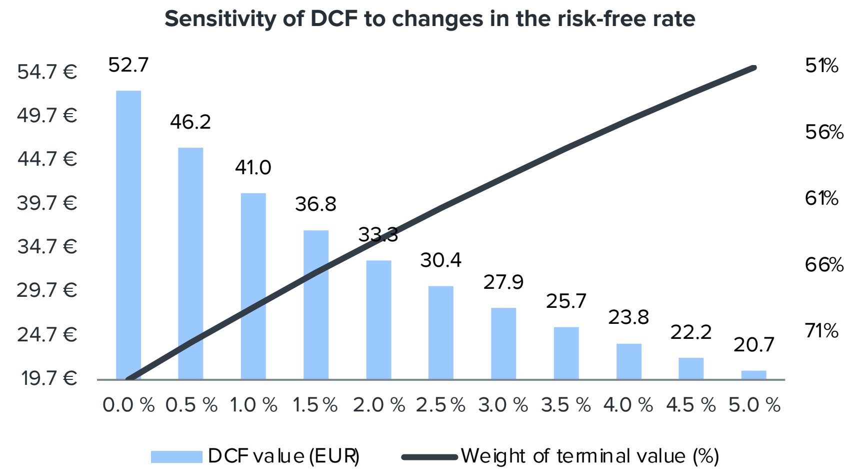
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	5.0 %
Equity Beta	1.3
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	**8.7 %**
Weighted average cost of capital (WACC)	**8.2 %**

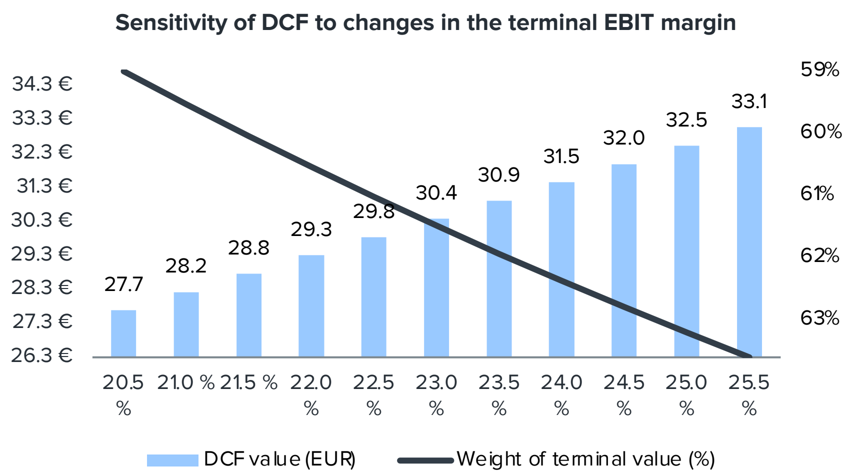
Source: Inderes

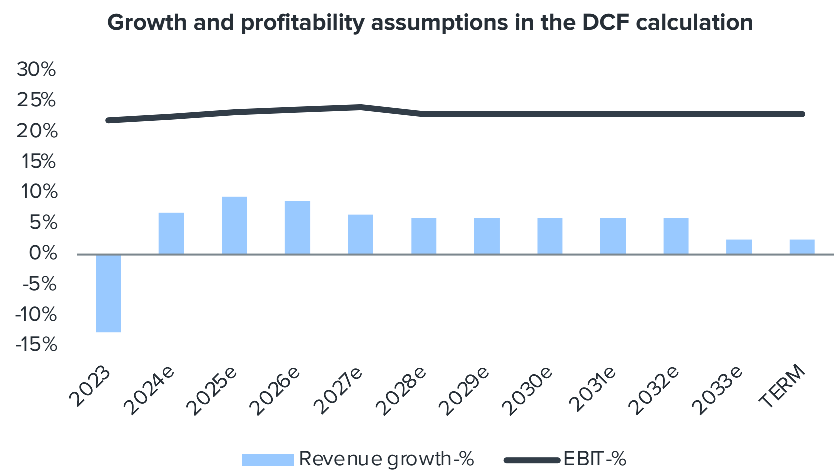


DCF sensitivity calculations and key assumptions in graphs









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

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	179.1	172.4	150.5	**160.9**	**176.0**
EBITDA	52.5	42.2	39.3	**42.4**	**47.2**
EBIT	46.6	34.7	33.0	**36.2**	**40.9**
PTP	45.2	36.8	29.5	**34.0**	**39.4**
Net Income	33.7	27.1	23.3	**26.1**	**30.4**
Extraordinary items	-0.8	-1.8	-0.7	**-0.2**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	201.5	208.7	214.3	**209.4**	**208.5**
Equity capital	84.1	98.4	108.7	**122.1**	**139.0**
Goodwill	73.7	73.4	73.4	**73.4**	**73.4**
Net debt	40.9	54.6	37.6	**23.6**	**8.6**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	52.5	42.2	39.3	**42.4**	**47.2**
Change in working capital	-21.3	-7.5	6.9	**-1.3**	**-4.0**
Operating cash flow	21.1	26.0	39.1	**32.7**	**33.8**
CAPEX	-21.9	-7.4	-3.2	**-4.2**	**-4.2**
Free cash flow	9.4	-6.0	32.5	**28.5**	**29.6**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	6.6	2.3	3.4	**4.7**	**4.2**
EV/EBITDA (adj.)	22.5	9.2	13.2	**17.7**	**15.6**
EV/EBIT (adj.)	24.9	10.6	15.4	**20.6**	**18.0**
P/E (adj.)	31.7	11.4	19.8	**27.4**	**23.7**
P/B	13.5	3.4	4.4	**6.0**	**5.2**
Dividend-%	1.0 %	3.6 %	2.7 %	**1.9 %**	**2.1 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	1.81	1.45	1.25	**1.40**	**1.63**
EPS (adj.)	1.85	1.55	1.28	**1.41**	**1.63**
OCF / share	1.14	1.39	2.09	**1.75**	**1.81**
FCF / share	0.51	-0.32	1.74	**1.53**	**1.58**
Book value / share	4.33	5.21	5.76	**6.48**	**7.39**
Dividend / share	0.60	0.64	0.68	**0.72**	**0.80**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	64%	-4%	-13%	**7%**	**9%**
EBITDA growth-%	97%	-20%	-7%	**8%**	**11%**
EBIT (adj.) growth-%	94%	-23%	-8%	**8%**	**12%**
EPS (adj.) growth-%	97%	-16%	-17%	**10%**	**15%**
EBITDA-%	29.3 %	24.5 %	26.1 %	**26.4 %**	**26.8 %**
EBIT (adj.)-%	26.5 %	21.2 %	22.4 %	**22.6 %**	**23.2 %**
EBIT-%	26.0 %	20.1 %	21.9 %	**22.5 %**	**23.2 %**
ROE-%	45.8 %	30.5 %	22.7 %	**22.9 %**	**23.5 %**
ROI-%	35.2 %	21.8 %	18.1 %	**19.9 %**	**23.1 %**
Equity ratio	41.8 %	47.1 %	50.7 %	**58.3 %**	**66.7 %**
Gearing	48.7 %	55.5 %	34.6 %	**19.3 %**	**6.2 %**

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Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Date	Recommendation	Target	Share price
11/26/2020	Buy	22.00 €	19.10 €
2/12/2021	Accumulate	33.00 €	30.00 €
4/18/2021	Buy	45.00 €	33.65 €
5/6/2021	Accumulate	47.00 €	42.25 €
5/31/2021	Accumulate	52.00 €	46.05 €
7/17/2021	Accumulate	62.00 €	58.20 €
8/12/2021	Accumulate	64.00 €	59.00 €
9/2/2021	Buy	64.00 €	53.30 €
11/5/2021	Accumulate	65.00 €	60.00 €
Analyst changed			
1/27/2022	Buy	57.00 €	44.20 €
2/10/2022	Buy	51.00 €	39.20 €
3/11/2022	Buy	42.00 €	34.15 €
5/5/2022	Buy	42.00 €	32.22 €
7/20/2022	Accumulate	27.00 €	24.00 €
Analyst changed			
8/12/2022	Accumulate	22.00 €	19.93 €
9/9/2022	Buy	20.00 €	15.23 €
11/4/2022	Buy	20.00 €	15.46 €
12/19/2022	Accumulate	21.00 €	18.33 €
2/10/2023	Reduce	22.00 €	22.10 €
5/5/2023	Reduce	24.00 €	25.06 €
5/29/2023	Accumulate	24.00 €	22.14 €
8/11/2023	Accumulate	24.00 €	22.00 €
9/13/2023	Accumulate	25.50 €	24.00 €
11/3/2023	Accumulate	25.00 €	23.50 €
12/11/2023	Reduce	25.00 €	25.48 €
2/9/2024	Sell	28.00 €	32.60 €
5/6/2024	Sell	30.00 €	38.60 €

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Joni Grönqvist
2019, 2020

Erkki Vesola
2018, 2020

Petri Gostowski
2020

Atte Riikola
2020

Connecting investors
and listed companies.