LapWall

Company report

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Inderes corporate customer

This report is a summary translation of the report “Ei vielä merkkejä markkinan käänteestä” published on 2/8/2024 at 9:34 am EET

No signs of a market turnaround yet

LapWall's Q4 report was slightly weaker than expected as a whole, due to lower order backlog than we predicted, the increasingly bleak outlook for residential construction, and the slight Q4 earnings miss. However, the report had a limited impact on LapWall's overall picture, and we still expect the company to achieve significant earnings growth with its competitive advantages as the construction cycle turns. A market turnaround is unlikely this year and the outlook is still uncertain, but the stock is reasonably priced even with the poor current performance considering the company's potential. Thus, we reiterate our EUR 3.4 target price and Accumulate recommendation for LapWall.

Q4 revenue was higher than we expected, while profitability was slightly below our forecast

LapWall's revenue decreased by 15% in H2'23 to 23 MEUR despite inorganic support from the KW-Component acquisition. This slightly exceeded our forecast of 22.2 MEUR and expectation of an 18% contraction in revenue. EBIT adjusted for goodwill amortization fell by some 45% in H2 to 2 MEUR, representing 8.8% of revenue. Due to a slightly higher cost structure, the adjusted result fell slightly behind our forecasts. The company accumulated a bit fewer orders than we predicted in Q4 in terms of residential construction in a historically subdued demand situation. LapWall's order book was 10% above the comparison period at 17.1 MEUR. With the strong balance sheet, the dividend proposal was roughly in line with our expectations at EUR 0.13 per share, although a large investment is also planned in Pyhäntä.

Defense is working, but reaching good numbers would also require a better market

As expected, LapWall did not provide guidance for the current year in connection with the financial statements, but itaims to provide guidance in connection with the H1'24 report in August. We expect that the weak residential construction cycle will keep LapWall's wall panel demand environment at around the low level of the previous year in 2024. Demand for roof elements driven by public and industrial construction has remained at least satisfactory, which carries LapWall through difficult times. In a challenging market situation, wood element manufacturers have exited the market through bankruptcies. We continue to believe that LapWall will achieve clear earnings growth from a low level as housing construction starts recovering. The earnings growth potential is strengthened by the operational leverage of the business model, which should be reflected in strengthening relative profitability as revenue returns to growth. The forecast changes we made turned slightly negative with the Q4 report. A slight cut in revenue forecasts and a revision of cost structure forecasts resulted in 0.3–0.4 MEUR forecast drops at EBITA level for 2024–2025. We included a safety margin in our revenue growth forecasts, reflecting the still bleak outlook in housing construction, although we expect the company to achieve a 6-19% revenue growth in 2025–2027. The company's planned 15-17 MEUR investment at the Pyhäntä factory is not yet included in our forecasts.

Valuation is moderate with the expected earnings improvement

With our 2024 and 2025 estimates, LapWall's P/E ratios are 12x and 8x and corresponding EV/EBIT ratios are around 8x and 5x. The ratios for 2024 are at the bottom end of our acceptable ranges and 2025 ratios are below them. As a result, we still find LapWall's pricing affordable, even though we do not see much upside in this year's multiples. Thus, the 12-month expected return based on slight earnings growth and a good 4% dividend yield still exceeds the required return by a fairly clear margin. The signal of the DCF concerning the valuation is clearly positive. However, we do not see clear share drivers before the timing of the earnings growth outlook becomes concrete.

Recommendation

Accumulate
(previous Accumulate)

EUR 3.40
(previous EUR 3.40)

Share price:
EUR 2.96

Key figures

	2023	2024e	2025e	2026e
Revenue	41.9	45.2	53.8	60.4
growth-%	-20%	8%	19%	12%
EBIT adj.	3.9	4.7	6.9	8.1
EBIT-% adj.	9.4 %	10.5 %	12.8 %	13.4 %
Net Income	2.5	2.9	4.7	5.7
EPS (adj.)	0.22	0.25	0.37	0.44

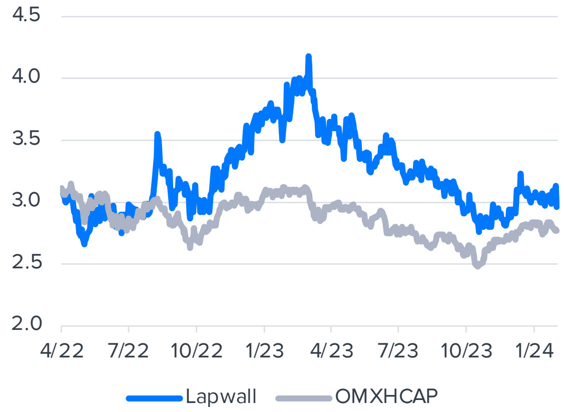
P/E (adj.)	14.1	11.7	7.9	6.7
P/B	2.7	2.4	2.1	1.8
Dividend yield-%	4.2 %	4.4 %	5.1 %	5.4 %
EV/EBIT (adj.)	11.0	8.1	5.1	3.9
EV/EBITDA	8.2	6.2	4.0	3.1
EV/S	1.0	0.8	0.6	0.5

Source: Inderes

Guidance

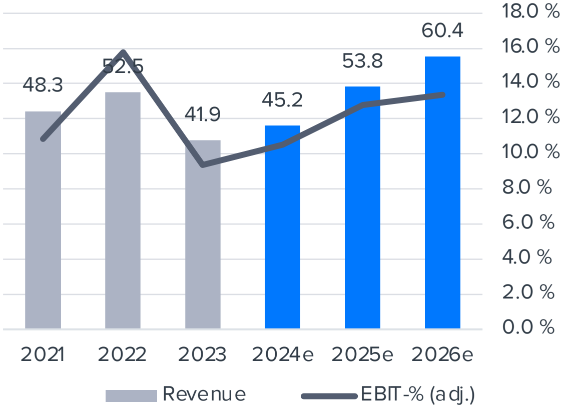
(No guidance)

Share price



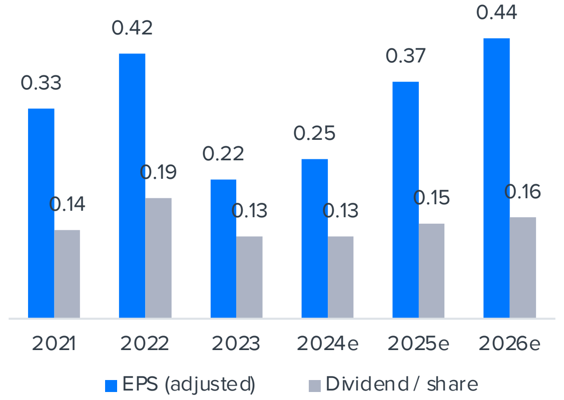
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- The company is well-positioned for growth in wood construction
- Strong competitive position enables market share growth
- Synergy benefits of the Termater business acquisition and the sales potential of the inorganically acquired Kastelli cooperation
- Room for improvement in productivity through investment
- Moderate valuation leaves upside for valuation multiples

Risk factors

- Finland's economic and construction cycle
- Inflation and pricing power
- New types of stronger competition
- Slowing down the proliferation of environmental trends and wood construction
- Project risks
- Pyhäntä's investment plan is very large relative to LapWall's balance sheet

Valuation	2024e	2025e	2026e
Share price	2.96	2.96	2.96
Number of shares, millions	14.9	14.9	14.9
Market cap	44	44	44
EV	38	35	31
P/E (adj.)	11.7	7.9	6.7
P/E	15.4	9.5	7.8
P/B	2.4	2.1	1.8
P/S	1.0	0.8	0.7
EV/Sales	0.8	0.6	0.5
EV/EBITDA	6.2	4.0	3.1
EV/EBIT (adj.)	8.1	5.1	3.9
Payout ratio (%)	67.7 %	47.9 %	41.9 %
Dividend yield-%	4.4 %	5.1 %	5.4 %

Source: Inderes

As expected, the reported figures carried no major surprises

Revenue continued to decline in a difficult market

LapWall's revenue decreased by 15% in H2 to 23 MEUR which was slightly above our estimate. Just like last year, LapWall achieved the highest annual revenue in Q4. The KW-Component acquisition carried out in early 2023 supported sales during the review period, so organically we estimate that revenue was around -20%, which is similar to the development seen in H1'23. In the big picture, the company's revenue was depressed by the sudden braking in residential construction, which has been reflected especially in the strong drop in wall panel demand. Roof elements for industrial and public construction have curbed the revenue decline.

Profitability continues at a healthy level

EBIT adjusted for goodwill amortization (EBITA or adjusted EBIT) was 2 MEUR, corresponding to a EBIT margin of 8.8%. Despite higher-than-expected revenue, profitability did not exceed our forecast. Profitability was depressed by higher personnel costs than we expected, but in other respects, the operational cost structure was well in line with our expectations. Relative profitability declining from the comparison period reflects the operational leverage associated with manufacturing industrial business, even though the company managed to adjust its cost structure successfully, in a very challenging operating environment especially for the company's largest unit, i.e. the Pyhäntä factory.

No surprises were seen in the lower rows, so EPS adjusted for goodwill amortization was roughly halved from the comparison period to EUR 0.11. Once again, there were no surprises in the financing costs or taxes of LapWall with a straightforward structure.

The strong balance sheet is put to work

LapWall's operating cash flow was well above EBIT at 4.2 MEUR reflecting the assets released from working capital. The company made investments worth 1.6 MEUR in H2, so the balance sheet strengthened further and net cash was 3 MEUR at year end. Supported by the strong balance sheet, the Board proposed a dividend of EUR 0.13 per share, which corresponds to 70% of the profit for the financial period.

LapWall announced in late 2023 that it plans a 15-17 MEUR factory investment in Pyhäntä. We find it likely that the investment decision will be completed. However, the company intends to carry out the large investment with income financing, debt and subsidies, and there is no need for new equity. Therefore, we find the dividend distribution to be a justified capital allocation decision, Our previous comment on the investment plan can be found here.

Estimates	H2'22	H2'23	H2'23e	H2'23e	Consensus		Difference (%)	2023e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	27.0	23.0	22.2				4%	41.9
EBIT (adj.)	3.7	2.0	2.2				-9%	3.9
EBIT	3.5	1.6	1.8				-12%	3.2
PTP	3.4	1.5	1.7				-11%	3.2
EPS (adj.)	0.20	0.11	0.12				-5%	0.22
DPS	0.19	0.13	0.12				8%	0.13
Revenue growth-%	-44.0 %	-14.9 %	-18.0 %				3.1 pp	-20.2 %
EBIT-% (adj.)	13.7 %	8.8 %	10.0 %				-1.3 pp	9.4 %

Source: Inderes

Short-term forecasts remained on a slight downward trend

Estimate revisions 2024e-2026e

- LapWall started out in 2024 with an order backlog of 17.1 MEUR, which corresponds to an increase of 10% from the comparison period. This was below our estimate of an order book of some 20 MEUR (i.e. Q4 orders fell short of our expectations).
- Our revenue forecast for the financial year 2024 remained roughly unchanged and we expect LapWall's demand image to remain similar to that of 2023, i.e. the market situation is very twofold.
- For 2025, 2026 and 2027, we cut our revenue growth forecasts slightly, reflecting the continuing weak housing construction cycle and the uncertain trajectory of the recovery. We still expect the company to achieve brisk growth in the medium term, with the growing market share through market recovery and the company's competitive advantages.
- We revised our cost structure forecasts for the next few years with Q4 numbers, which had a marginally negative impact on our EBITA forecasts.
- So far, our forecasts do not include the planned Pyhäntä factory investment, but we will include the investment in our forecasts when the final investment decision is made.

Operational result drivers 2024e-2026e:

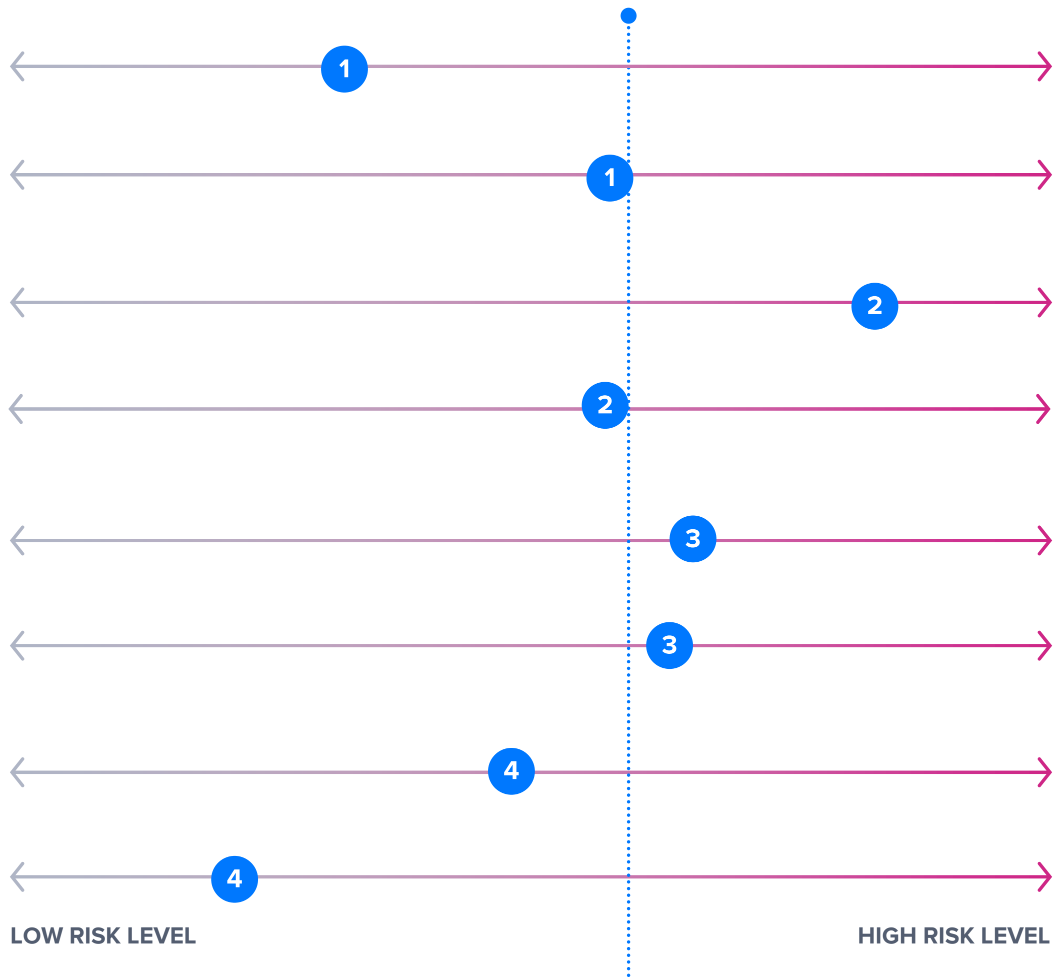
- The roof element business (commercial, public, industrial and logistics construction) has supported and we believe will support the company through a difficult market situation where demand in the housing market has collapsed in 2023-2024.
- We expect that the bottom of LapWall's wall panel market that relies more strongly on the housing market to occur in 2023 and 2024, after which revenue will return to growth.
- The exit of competitors from the market, LapWall's good competitiveness and acquisitions enable strengthening of the market share, especially in the medium term and also in the long term if the Pyhäntä investment is completed.
- As demand recovers from the current low level, the company's operational leverage could also work in the right direction and relative profitability would strengthen.
- Carbon-neutral wooden element construction benefits from the long-term sustainable construction trend, where public construction sites act as a trendsetter.

Estimate revisions	2023e	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	41.0	41.9	2%	45.0	45.2	0%	55.0	53.8	-2%
EBITDA	5.5	5.3	-4%	6.5	6.1	-5%	8.9	8.7	-2%
EBIT (exc. NRIs)	4.1	3.9	-5%	5.1	4.7	-7%	7.2	6.9	-4%
EBIT	3.4	3.2	-6%	4.3	3.9	-10%	6.4	6.0	-6%
PTP	3.4	3.2	-5%	4.3	3.9	-10%	6.4	6.0	-6%
EPS (excl. NRIs)	0.23	0.22	-3%	0.27	0.25	-7%	0.39	0.37	-3%
DPS	0.12	0.13	8%	0.13	0.13	0%	0.15	0.15	0%

Source: Inderes

Risk profile of LapWall's business model

Assessment of the overall business risk of Lapwall (mid-range corresponds to the average assessed risk level of Nasdaq Helsinki)



1 OPERATING LANDSCAPE

- Change rate in the industry: Construction is a mature sector where change is slow.
- Company's development stage: LapWall has reached profitable growth and is mainly focused on low-risk organic growth, although inorganic moves are also possible.

2 REVENUE

- Market cyclicality: Construction is cyclical. Trends supporting wood materials may offset some of the cyclicality of LapWall relative to the overall market.
- Revenue diversification and continuity: The largest customers are large and continuity with them is quite good. The business also includes a significant proportion of project sales.

3 PROFITABILITY

- Scalability of costs: Filling empty capacity in factories scales quite well, but growth over time requires both more production lines and more pairs of hands and therefore does not scale.
- Cost structure: Due to the partly automated factory production, the cost structure is competitive. Of course, this requires good utilization rates in factories.

4 CAPITAL STRUCTURE

- Capital commitment: Growth and maintaining competitiveness require some investment in fixed assets. However, the business does not tied up working capital.
- Need for financing: The company can finance its organic growth without any problems through revenue financing and debt.

Source: Inderes

Valuation picture is unchanged

Multiples are favorable and expected return is good when looking further

In our estimate, LapWall's adjusted P/E ratios for 2024 and 2025 are 12x and 8x, while the corresponding EV/EBIT ratios are around 8x and 5x. In LapWall, we recommend that investors use the EV/EBIT ratio that better reflects the company's strong balance sheet. We consider the multiples moderate in absolute terms relative to our required return for next year, and even with modest results for the current year, the multiples are within our acceptable ranges (cf. in our May 2023 extensive report, the acceptable valuation ranges were P/E 10x-14x and EV/EBIT 8x-12x in the short term). In relative terms, the share is priced at a clear discount, but the whole peer group is only loosely connected to LapWall.

For the coming years, we expect dividend yields to settle at around 4-5%, even in a weak cycle, as a result of a satisfactory earnings position and a strong balance sheet, even if the large Pyhäntä investment materializes. Thus, investors get a good base return from dividends, even though LapWall is, in our opinion, primarily a growth company. We feel the 12-month return expectation, consisting of marginal earnings growth in 2024 and dividend is clearly double-digit, which still easily exceeds our required return. In the medium term, the expected return is supported by earnings growth and we estimate that the medium-term expected return is also clearly above the required return In the medium term, as earnings growth accelerates, the expected return may even be clearly higher than the required return, but realizing this will require a market turnaround and a clear acceleration in earnings growth (the timing is still uncertain). However, we believe that the medium-term expected return is backloaded, so we do not rely on it at full weight, especially when there are no signs of improvement in the company's market yet.

DCF value is above our target price

On a DCF basis, we get a value of around EUR 3.8 per share for the company. The weight of the terminal period in the value of cash flows is very moderate, i.e. around 40%. As such, we do not believe the model is particularly aggressive, especially in terms of long-term profitability assumptions or required returns, but our forecast does assume that LapWall will continue to grow profitably through the decade. However, considering the naturally wide tolerances of the method and the limited short-term drivers, we place more emphasis on the signals derived from valuation multiples in the company than on DCF.

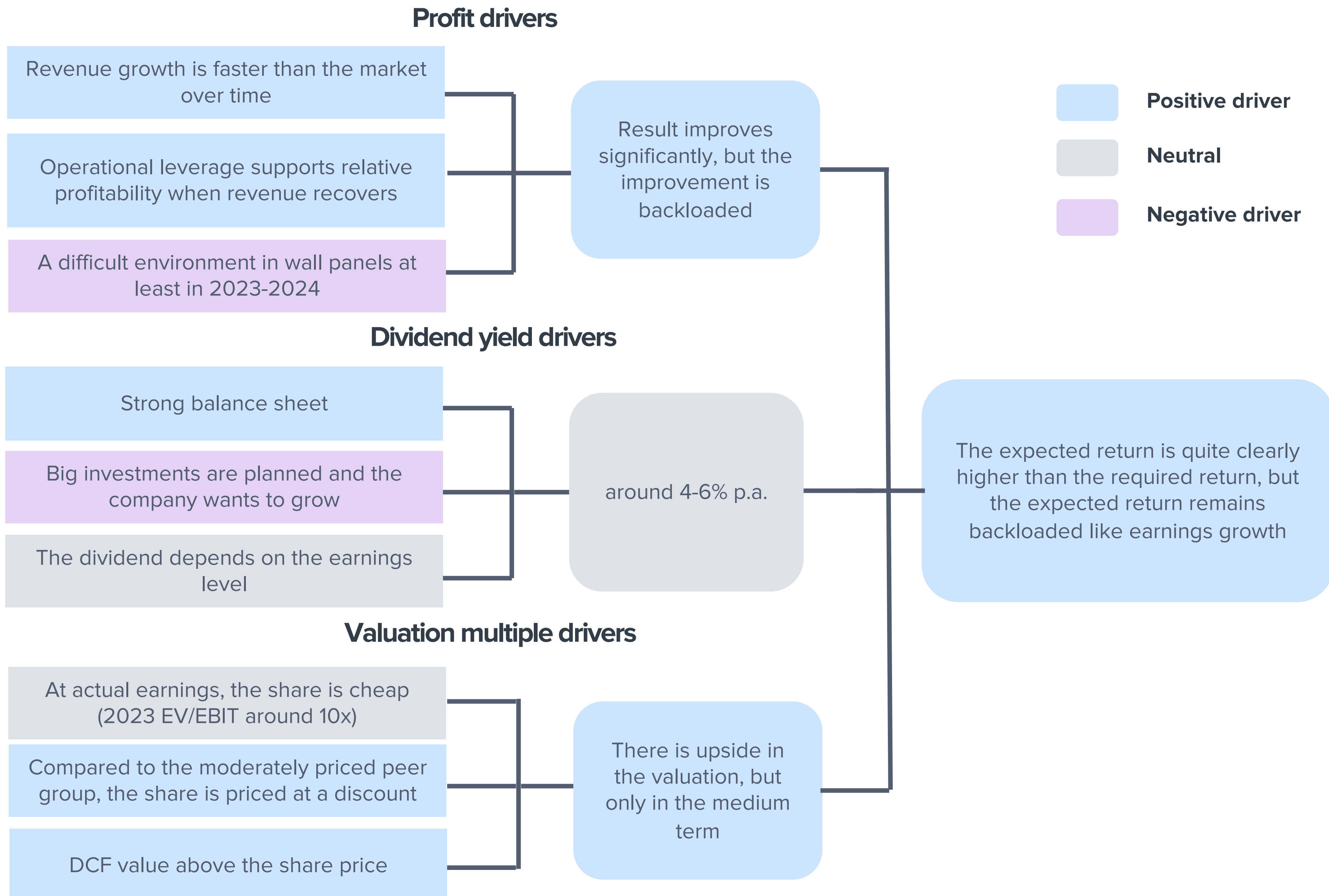
The value of the company is well placed to grow over time

Over the next few years, we see clear upside in LapWall's value from current levels, but this naturally requires that the company's business develops at least in line with our estimates (our estimates are well below the company's targets in terms of business size). In our view, LapWall also has the makings to be a steady grower and value creator, at least in the medium term. In our view, the main risks to the company are the cyclicality of construction and the prolongation of the current weak cycle, new types of competition, inflation, and the slowing or reversal of environmental trends. If these risks materialize, the company's short- or longer-term growth and/or profitability could fall short of our forecasts. We, therefore, still recommend the share, especially to investors who are willing to wait for the next upward cycle. Maturing of clear positive drivers for the stock can take time in the current market and call for patience from investors.

Valuation	2024e	2025e	2026e
Share price	2.96	2.96	2.96
Number of shares, millions	14.9	14.9	14.9
Market cap	44	44	44
EV	38	35	31
P/E (adj.)	11.7	7.9	6.7
P/E	15.4	9.5	7.8
P/B	2.4	2.1	1.8
P/S	1.0	0.8	0.7
EV/Sales	0.8	0.6	0.5
EV/EBITDA	6.2	4.0	3.1
EV/EBIT (adj.)	8.1	5.1	3.9
Payout ratio (%)	67.7 %	47.9 %	41.9 %
Dividend yield-%	4.4 %	5.1 %	5.4 %

Source: Inderes

Market value drivers 2024-2026e

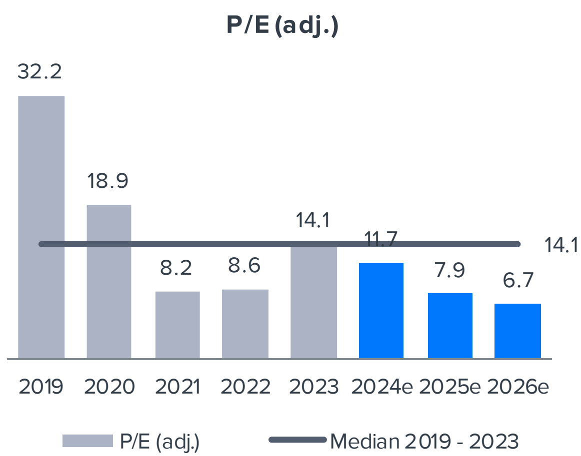


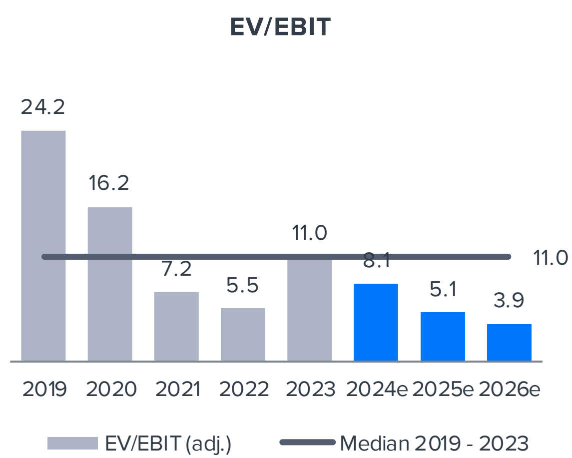
Source: Inderes

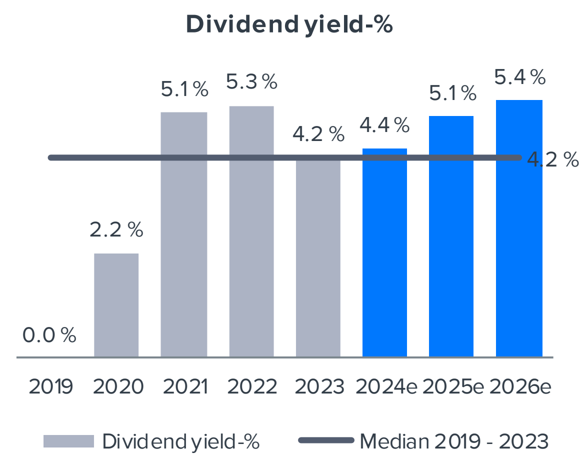
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price		2.72	2.72	3.58	3.09	**2.96**	**2.96**	**2.96**	**2.96**
Number of shares, millions		12.4	12.4	14.2	14.9	**14.9**	**14.9**	**14.9**	**14.9**
Market cap		33.7	33.7	50.9	46.1	**44.0**	**44.0**	**44.0**	**44.0**
EV		37.4	37.7	45.4	43.1	**38.3**	**34.8**	**31.2**	**26.5**
P/E (adj.)		18.9	8.2	8.6	14.1	**11.7**	**7.9**	**6.7**	**6.2**
P/E		18.9	9.3	9.3	17.9	**15.4**	**9.5**	**7.8**	**7.1**
P/B		6.3	4.7	3.2	2.7	**2.4**	**2.1**	**1.8**	**1.5**
P/S		1.1	0.7	1.0	1.1	**1.0**	**0.8**	**0.7**	**0.7**
EV/Sales		1.2	0.8	0.9	1.0	**0.8**	**0.6**	**0.5**	**0.4**
EV/EBITDA		9.1	5.7	4.8	8.2	**6.2**	**4.0**	**3.1**	**2.5**
EV/EBIT (adj.)		16.2	7.2	5.5	11.0	**8.1**	**5.1**	**3.9**	**3.0**
Payout ratio (%)		41.7 %	48.1 %	49.5 %	75.3 %	**67.7 %**	**47.9 %**	**41.9 %**	**43.1 %**
Dividend yield-%		2.2 %	5.1 %	5.3 %	4.2 %	**4.4 %**	**5.1 %**	**5.4 %**	**6.1 %**

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**
Lapwall	45	45	9.0	7.5	6.4	5.0	1.0	0.8	14.2	9.5	4.2	4.8	2.4
Steico	387	564	16.5	12.9	8.8	7.5	1.5	1.3	16.7	14.1	1.6	1.7	1.2
EcoUp	16	20		10.0	5.0	3.4	0.6	0.5		10.4		2.8	0.9
Purmo	279	571	9.4	7.9	6.6	5.6	0.8	0.8	8.6	7.4	5.2	5.9	0.7
Balco	90	110	12.6	8.9	8.5	6.5	0.9	0.8	16.6	10.9	2.6	3.4	1.3
LapWall (Inderes)	**44**	**38**	**8.1**	**5.1**	**6.2**	**4.0**	**0.8**	**0.6**	**11.7**	**7.9**	**4.4**	**5.1**	**2.4**
Average			**11.8**	**9.6**	**7.5**	**6.1**	**1.1**	**1.0**	**14.3**	**10.9**	**3.3**	**3.6**	**1.5**
Median			**11.4**	**9.1**	**7.2**	**6.5**	**1.0**	**0.8**	**15.4**	**10.9**	**3.4**	**3.4**	**1.3**
Diff-% to median			***-29%***	***-44%***	***-14%***	***-39%***	***-14%***	***-22%***	***-24%***	***-27%***	***31%***	***47%***	***88%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue	**52.5**	**18.9**	**23.0**	**41.9**	**20.4**	**24.8**	**45.2**	**53.8**	**60.4**	**63.7**
Group	52.5	18.9	23.0	41.9	20.4	24.8	45.2	53.8	60.4	63.7
Adjustment of goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**9.5**	**2.6**	**2.7**	**5.3**	**2.7**	**3.5**	**6.1**	**8.7**	**10.1**	**10.7**
Depreciation	-1.8	-0.9	-1.1	-2.0	-1.1	-1.1	-2.3	-2.7	-2.9	-2.9
EBIT (excl. NRI)	**8.3**	**1.9**	**2.0**	**3.9**	**2.0**	**2.8**	**4.7**	**6.9**	**8.1**	**8.7**
EBIT	**7.8**	**1.7**	**1.6**	**3.2**	**1.5**	**2.3**	**3.9**	**6.0**	**7.2**	**7.8**
Group	8.3	1.9	2.0	3.9	2.0	2.8	4.7	6.9	8.1	8.7
Adjustment of goodwill amortization	-0.5	-0.3	-0.5	-0.7	-0.4	-0.4	-0.9	-0.9	-0.9	-0.9
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2
PTP	**7.0**	**1.7**	**1.5**	**3.2**	**1.5**	**2.3**	**3.9**	**6.0**	**7.3**	**8.0**
Taxes	-1.4	-0.3	-0.3	-0.6	-0.4	-0.6	-1.0	-1.4	-1.6	-1.8
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**5.7**	**1.3**	**1.2**	**2.5**	**1.1**	**1.7**	**2.9**	**4.7**	**5.7**	**6.2**
EPS (adj.)	**0.42**	**0.11**	**0.11**	**0.22**	**0.10**	**0.15**	**0.25**	**0.37**	**0.44**	**0.48**
EPS (rep.)	**0.38**	**0.09**	**0.08**	**0.17**	**0.07**	**0.12**	**0.19**	**0.31**	**0.38**	**0.42**

Key figures	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue growth-%	8.6 %	-25.9 %	-14.9 %	-20.2 %	8.0 %	7.8 %	7.9 %	19.0 %	12.3 %	5.5 %
Adjusted EBIT growth-%	57.9 %	-58.5 %	-45.5 %	-52.7 %	3.0 %	38.2 %	21.1 %	44.5 %	17.5 %	8.0 %
EBITDA-%	18.2 %	13.7 %	11.6 %	12.5 %	13.1 %	14.1 %	13.6 %	16.2 %	16.7 %	16.8 %
Adjusted EBIT-%	15.8 %	10.1 %	8.8 %	9.4 %	9.6 %	11.2 %	10.5 %	12.8 %	13.4 %	13.7 %
Net earnings-%	10.4 %	7.1 %	5.3 %	6.1 %	5.5 %	7.0 %	6.3 %	8.7 %	9.4 %	9.8 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**12.1**	**15.1**	**14.2**	**13.0**	**13.1**
Goodwill	2.4	5.7	4.8	3.9	3.0
Intangible assets	0.4	0.4	0.4	0.4	0.4
Tangible assets	9.2	8.9	9.0	8.6	9.6
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	0.0	0.1	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**16.1**	**12.0**	**14.9**	**19.0**	**23.0**
Inventories	3.2	3.1	3.2	3.2	3.3
Other current assets	2.3	1.7	1.7	1.7	1.7
Receivables	2.7	2.8	2.8	3.3	3.7
Cash and equivalents	7.8	4.4	7.2	10.8	14.3
Balance sheet total	**28.2**	**27.1**	**29.1**	**32.0**	**36.1**

Source: Inderes

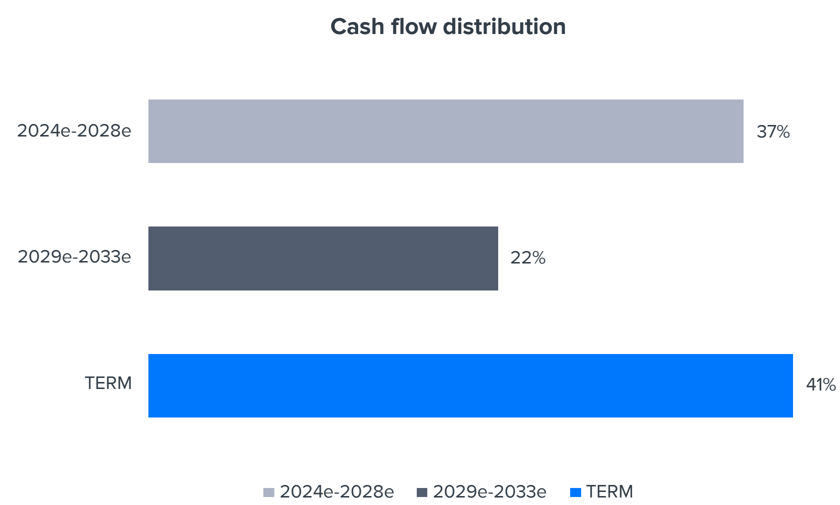
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**15.9**	**16.8**	**18.7**	**21.5**	**24.9**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	4.8	4.7	5.6	8.3	11.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	10.9	12.0	13.0	13.0	13.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**1.9**	**0.9**	**1.5**	**1.5**	**1.5**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	1.4	0.4	1.0	1.0	1.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.5	0.5	0.5	0.5	0.5
Current liabilities	**10.5**	**9.4**	**8.9**	**9.1**	**9.7**
Interest bearing debt	1.0	0.9	0.5	0.5	0.5
Payables	4.6	5.3	5.2	5.4	6.0
Other current liabilities	4.8	3.2	3.2	3.2	3.2
Balance sheet total	**28.2**	**27.1**	**29.1**	**32.0**	**36.1**

DCF calculation

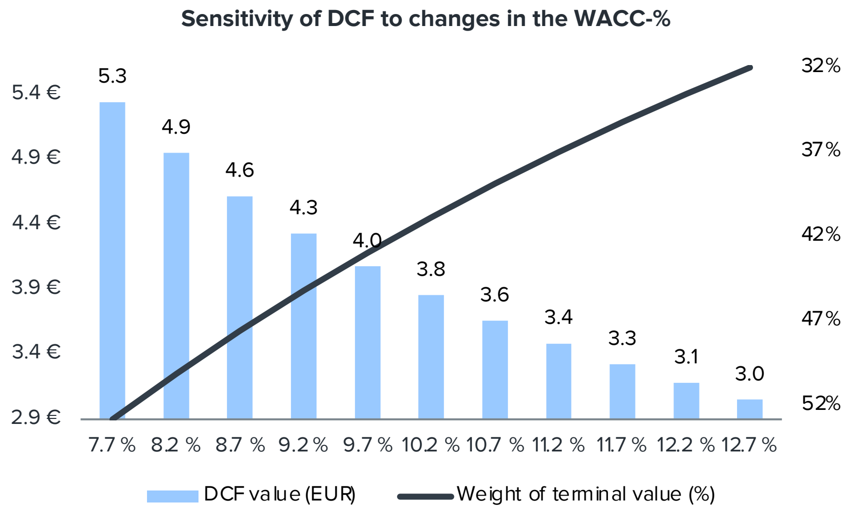
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-20.2 %	7.9 %	19.0 %	12.3 %	5.5 %	4.0 %	4.0 %	3.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	7.7 %	8.5 %	11.1 %	11.9 %	12.3 %	11.0 %	10.0 %	9.5 %	9.0 %	8.0 %	8.0 %	8.0 %
EBIT (operating profit)	**3.2**	**3.9**	**6.0**	**7.2**	**7.8**	**7.3**	**6.9**	**6.7**	**6.6**	**6.0**	**6.1**	
+ Depreciation	2.0	2.3	2.7	2.9	2.9	2.4	2.0	1.8	1.8	1.7	1.7	
- Paid taxes	-0.6	-1.0	-1.4	-1.6	-1.8	-1.7	-1.5	-1.5	-1.4	-1.3	-1.3	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	-0.4	-0.1	-0.4	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	**4.2**	**5.1**	**6.9**	**8.7**	**8.9**	**8.0**	**7.4**	**7.1**	**7.0**	**6.5**	**6.6**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-5.0	-1.5	-1.5	-3.0	-2.0	-1.5	-1.5	-1.5	-2.0	-2.0	-1.8	
Free operating cash flow	**-0.8**	**3.6**	**5.4**	**5.7**	**6.9**	**6.5**	**5.9**	**5.6**	**5.0**	**4.5**	**4.7**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.8	3.6	5.4	5.7	6.9	6.5	5.9	5.6	5.0	4.5	4.7	58.9
Discounted FCFF		**3.3**	**4.5**	**4.3**	**4.7**	**4.1**	**3.3**	**2.9**	**2.3**	**1.9**	**1.8**	**22.6**
Sum of FCFF present value		55.7	52.4	47.9	43.6	38.9	34.8	31.5	28.6	26.3	24.4	22.6
Enterprise value DCF		**55.7**										
- Interest bearing debt		-1.4										
+ Cash and cash equivalents		4.4										
-Minorities		0.0										
-Dividend/capital return		-1.9										
Equity value DCF		**56.8**										
Equity value DCF per share		**3.8**										

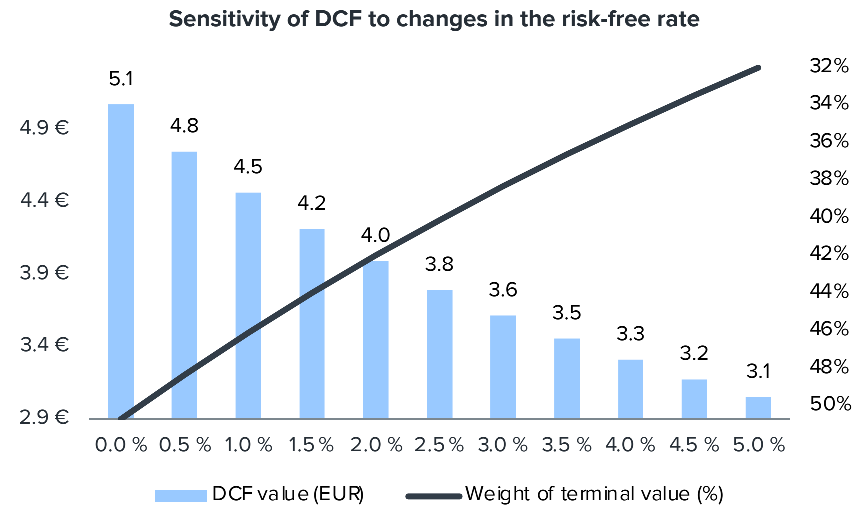
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	10.0 %
Cost of debt	5.0 %
Equity Beta	1.60
Market risk premium	4.75%
Liquidity premium	0.75%
Risk free interest rate	2.5 %
Cost of equity	**10.9 %**
Weighted average cost of capital (WACC)	**10.2 %**

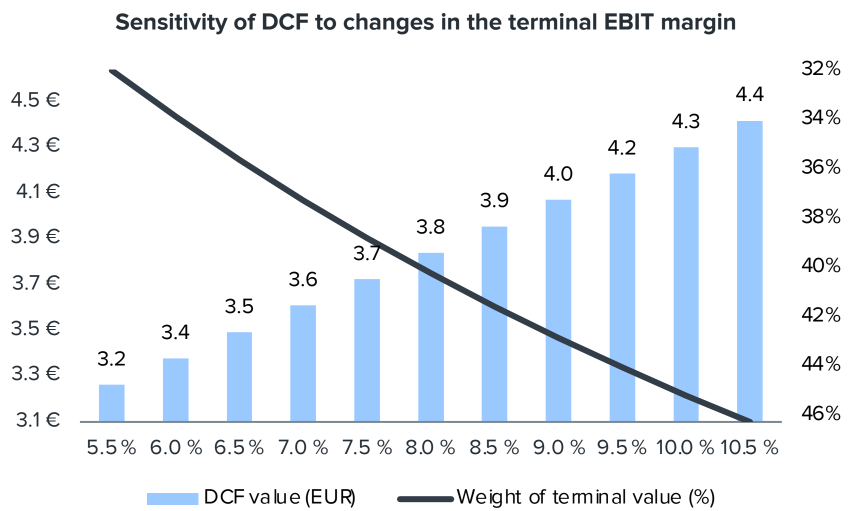
Source: Inderes

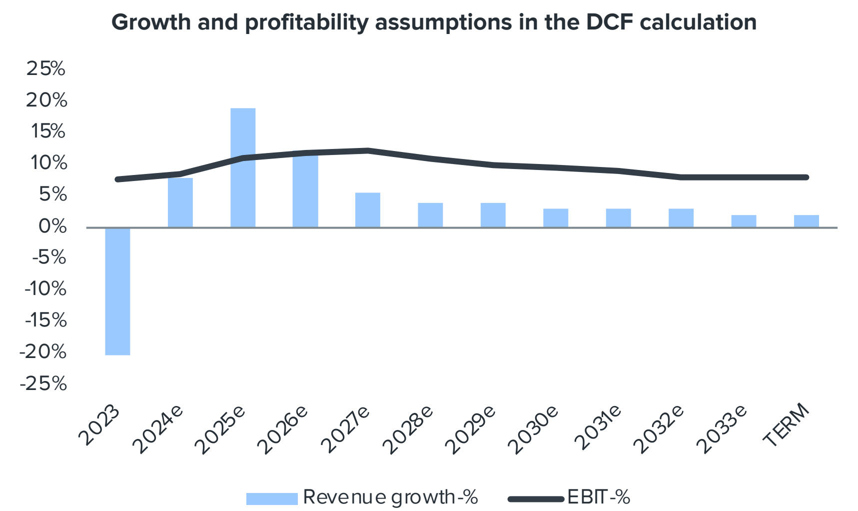


DCF sensitivity calculations and key assumptions in graphs









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	48.3	52.5	41.9	**45.2**	**53.8**
EBITDA	6.6	9.5	5.3	**6.1**	**8.7**
EBIT	4.8	7.8	3.2	**3.9**	**6.0**
PTP	4.6	7.0	3.2	**3.9**	**6.0**
Net Income	3.6	5.5	2.6	**2.9**	**4.7**
Extraordinary items	-0.5	-0.5	-0.7	**-0.9**	**-0.9**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.29	0.38	0.17	**0.19**	**0.31**
EPS (adj.)	0.33	0.42	0.22	**0.25**	**0.37**
OCF / share	0.34	0.66	0.28	**0.34**	**0.47**
FCF / share	0.13	0.49	-0.05	**0.24**	**0.36**
Book value / share	0.58	1.11	1.12	**1.26**	**1.44**
Dividend / share	0.14	0.19	0.13	**0.13**	**0.15**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	19.9	28.2	27.1	**29.1**	**32.0**
Equity capital	7.1	15.9	16.8	**18.7**	**21.5**
Goodwill	3.0	2.4	5.7	**4.8**	**3.9**
Net debt	4.1	-5.5	-3.0	**-5.7**	**-9.3**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	55%	9%	-20%	**8%**	**19%**
EBITDA growth-%	61%	45%	-45%	**17%**	**42%**
EBIT (adj.) growth-%	127%	58%	-53%	**21%**	**45%**
EPS (adj.) growth-%	130%	26%	-47%	**15%**	**48%**
EBITDA-%	13.7 %	18.2 %	12.5 %	**13.6 %**	**16.2 %**
EBIT (adj.)-%	10.9 %	15.8 %	9.4 %	**10.5 %**	**12.8 %**
EBIT-%	9.8 %	14.8 %	7.7 %	**8.5 %**	**11.1 %**
ROE-%	57.7 %	47.5 %	15.8 %	**16.1 %**	**23.2 %**
ROI-%	39.5 %	49.6 %	18.3 %	**20.6 %**	**28.4 %**
Equity ratio	37.6 %	61.1 %	64.2 %	**66.8 %**	**69.8 %**
Gearing	57.0 %	-34.7 %	-18.0 %	**-30.5 %**	**-43.2 %**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	6.6	9.5	5.3	**6.1**	**8.7**
Change in working capital	-1.5	1.3	-0.4	**-0.1**	**-0.4**
Operating cash flow	4.2	9.3	4.2	**5.1**	**6.9**
CAPEX	-2.6	-2.3	-5.0	**-1.5**	**-1.5**
Free cash flow	1.6	7.0	-0.8	**3.6**	**5.4**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	0.8	0.9	1.0	**0.8**	**0.6**
EV/EBITDA (adj.)	5.7	4.8	8.2	**6.2**	**4.0**
EV/EBIT (adj.)	7.2	5.5	11.0	**8.1**	**5.1**
P/E (adj.)	8.2	8.6	14.1	**11.7**	**7.9**
P/B	4.7	3.2	2.7	**2.4**	**2.1**
Dividend-%	5.1 %	5.3 %	4.2 %	**4.4 %**	**5.1 %**

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
4/10/2022	Accumulate	3.40 €	3.11 €
5/19/2022	Accumulate	3.40 €	3.05 €
8/17/2022	Accumulate	4.00 €	3.55 €
11/1/2022	Accumulate	3.75 €	3.27 €
1/31/2023	Reduce	3.75 €	3.68 €
2/8/2023	Reduce	3.75 €	3.95 €
4/27/2023	Accumulate	3.75 €	3.51 €
6/1/2023	Buy	4.00 €	3.24 €
8/9/2023	Buy	4.00 €	3.18 €
11/1/2023	Accumulate	3.40 €	2.80 €
2/7/2024	Accumulate	3.40 €	2.96 €

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