

LapWall

Company report

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✓ Inderes corporate customer

This report is a summary translation of the report “Kasvun siemenet kylvettiin” published on 3/14/2024 at 8:26 am EET

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Seeds of growth were sown

We included the expected investment decision that LapWall sealed last week for the Pyhäntä unit in our forecasts. We expect it to create value for shareholders as profitable growth but expect the benefits to be clearly visible in the figures only from 2027 onwards. In the shorter term, we believe the stock will be driven by the development of the Finnish construction cycle in particular and the company's earnings outlook for 2024-2025, which depends on it. Due to the short-term weakness and uncertainty about the timing of the earnings turnaround, we reiterate LapWall's Accumulate recommendation with a EUR 3.40 target price, even though the investment that seems strong in the long run raised the stock's potential and expected value. We commented on the investment [here](#).

Government grant improves the value creation potential of the investment

On Thursday, March 7, Lapwall announced that it had made the final investment decision for a new assembly and part-manufacturing plant at the Pyhäntä factory. The new plant will start production in H2'25. LapWall said that the investment would triple the capacity of the Pyhäntä unit specializing in manufacturing wall panels, which we estimate will enable the company's sales to rise clearly above the 2026 revenue target of 70 MEUR. In addition to capacity, LapWall expects the investment to bring significant efficiency gains and the opportunity to manufacture new wood element products. We expect the 19 MEUR investment funding to be broadly evenly distributed between interest-bearing debt, income financing and support granted by the ELY Centre. We believe the significant support from the ELY Centre will reduce the capital cost and risk of the investment clearly and improve the value creation potential.

The investment will bear fruit, especially at the end of the decade

We added the expected investment decision to our forecasts. We expect the residential construction market to recover clearly but gradually from the historically low levels of 2023 and 2024 starting in 2025. Therefore, the completion of the Pyhäntä plant should coincide quite favorably with the acceleration in demand. We did not change our 2024-2025 forecasts for LapWall in terms of revenue and operative cost structure. In 2026, the limiting factor is probably still found in the market. Instead, we raised our revenue growth forecasts for 2027-2030 by 11-26% driven by additional investment capacity. We expect the company to significantly gain market share in the normal business cycle, which has been "left vacant" after competitors' difficulties in recent years, thanks to its efficient additional capacity and other strengths throughout the second half of the current decade. In our previous forecasts, we expected clear earnings growth from the company in 2025-2027, which we estimated could have been reached largely thanks to the company's existing capacity. Consequently, our adjusted EBIT forecasts only increased more clearly from 2028 onwards, when we expect the total capacity utilization rate to improve more. Naturally, our depreciation forecasts also increased due to the investment starting from 2026.

Short-term valuation is attractive and the potential of the long game improved

With our 2024 and 2025 estimates, LapWall's P/E ratios are 12x and 9x and corresponding EV/EBIT ratios are around 10x and 7x. The short-term valuation is virtually unchanged. LapWall's 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 valuation signal from DCF is more positive than before (cf. DCF value increased by some 15%) with the increased forecasts and the stock's long-term expected return has increased. However, we keep the target closer, as we do not believe that stock has clear drivers until earnings growth and market share gains materialize.

Recommendation

Accumulate

(previous Accumulate)

EUR 3.40

(previous EUR 3.40)

Share price:

EUR 3.06



Key figures

	2023	2024e	2025e	2026e
Revenue	41.9	45.2	53.8	62.2
growth-%	-20%	8%	19%	16%
EBIT adj.	3.9	4.7	6.9	8.2
EBIT-% adj.	9.4 %	10.5 %	12.8 %	13.2 %
Net Income	2.5	2.9	4.4	5.5
EPS (adj.)	0.22	0.25	0.36	0.43

P/E (adj.)	14.1	12.1	8.6	7.2
P/B	2.7	2.4	2.1	1.9
Dividend yield-%	4.2 %	4.2 %	4.9 %	5.2 %
EV/EBIT (adj.)	11.0	9.8	7.3	5.5
EV/EBITDA	8.2	7.6	5.7	4.1
EV/S	1.0	1.0	0.9	0.7

Source: Inderes

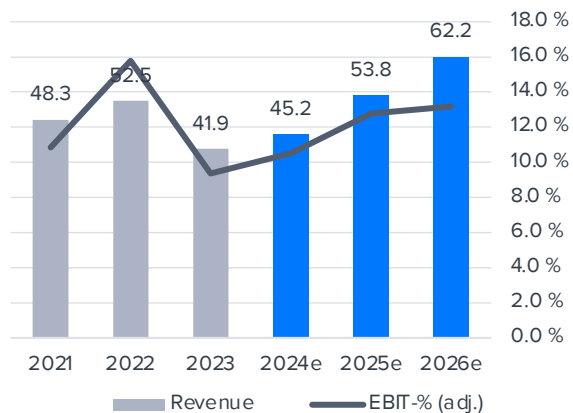
Guidance

Share price



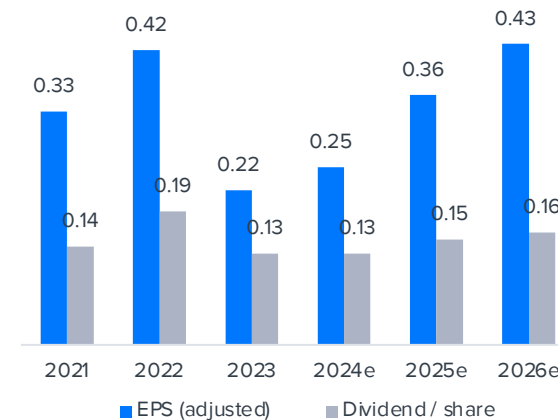
Source: Millistream Market Data AB

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	3.06	3.06	3.06
Number of shares, millions	14.9	14.9	14.9
Market cap	46	46	46
EV	46	50	45
P/E (adj.)	12.1	8.6	7.2
P/E	15.9	10.4	8.3
P/B	2.4	2.1	1.9
P/S	1.0	0.8	0.7
EV/Sales	1.0	0.9	0.7
EV/EBITDA	7.6	5.7	4.1
EV/EBIT (adj.)	9.8	7.3	5.5
Payout ratio (%)	67.7 %	50.9 %	43.6 %
Dividend yield-%	4.2 %	4.9 %	5.2 %

Source: Inderes

Estimate changes for the next few years are minor

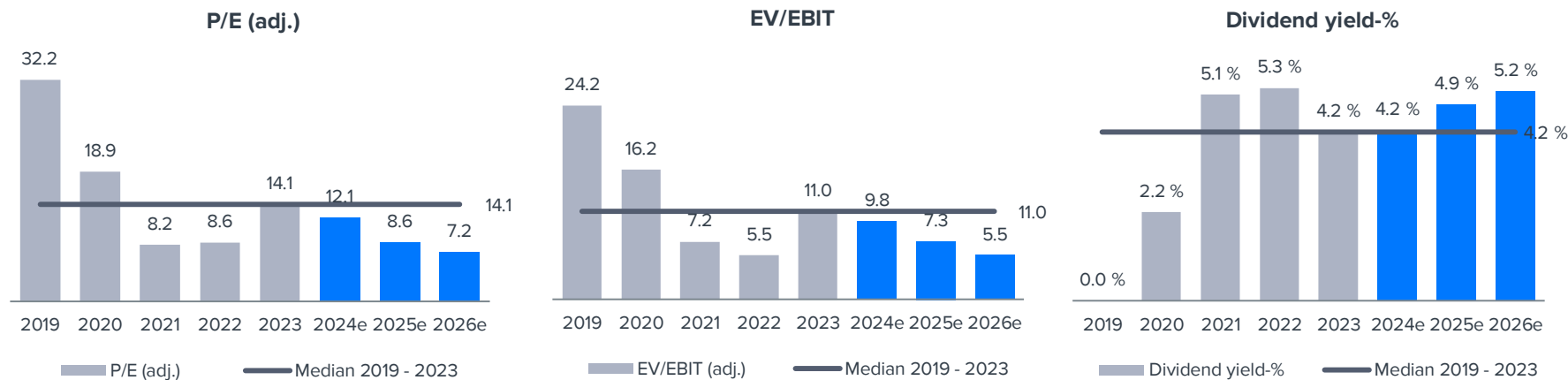
Estimate revisions	2024e	2024	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	45.2	45.2	0%	53.8	53.8	0%	60.4	62.2	3%
EBITDA	6.1	6.1	0%	8.7	8.7	1%	10.1	11.0	9%
EBIT (exc. NRIs)	4.7	4.7	0%	6.9	6.9	0%	8.1	8.2	2%
EBIT	3.9	3.9	0%	6.0	6.0	0%	7.2	7.3	2%
PTP	3.9	3.9	0%	6.0	5.7	-6%	7.3	7.1	-4%
EPS (excl. NRIs)	0.25	0.25	0%	0.37	0.36	-5%	0.44	0.43	-3%
DPS	0.13	0.13	0%	0.15	0.15	0%	0.16	0.16	0%

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price		2.72	2.72	3.58	3.09	3.06	3.06	3.06	3.06
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	45.5	45.5	45.5	45.5
EV		37.4	37.7	45.4	43.1	46.5	50.0	45.3	39.0
P/E (adj.)		18.9	8.2	8.6	14.1	12.1	8.6	7.2	5.5
P/E		18.9	9.3	9.3	17.9	15.9	10.4	8.3	6.1
P/B		6.3	4.7	3.2	2.7	2.4	2.1	1.9	1.5
P/S		1.1	0.7	1.0	1.1	1.0	0.8	0.7	0.6
EV/Sales		1.2	0.8	0.9	1.0	1.0	0.9	0.7	0.6
EV/EBITDA		9.1	5.7	4.8	8.2	7.6	5.7	4.1	2.9
EV/EBIT (adj.)		16.2	7.2	5.5	11.0	9.8	7.3	5.5	3.7
Payout ratio (%)		41.7 %	48.1 %	49.5 %	75.3 %	67.7 %	50.9 %	43.6 %	36.1 %
Dividend yield-%		2.2 %	5.1 %	5.3 %	4.2 %	4.2 %	4.9 %	5.2 %	5.9 %

Source: Inderes



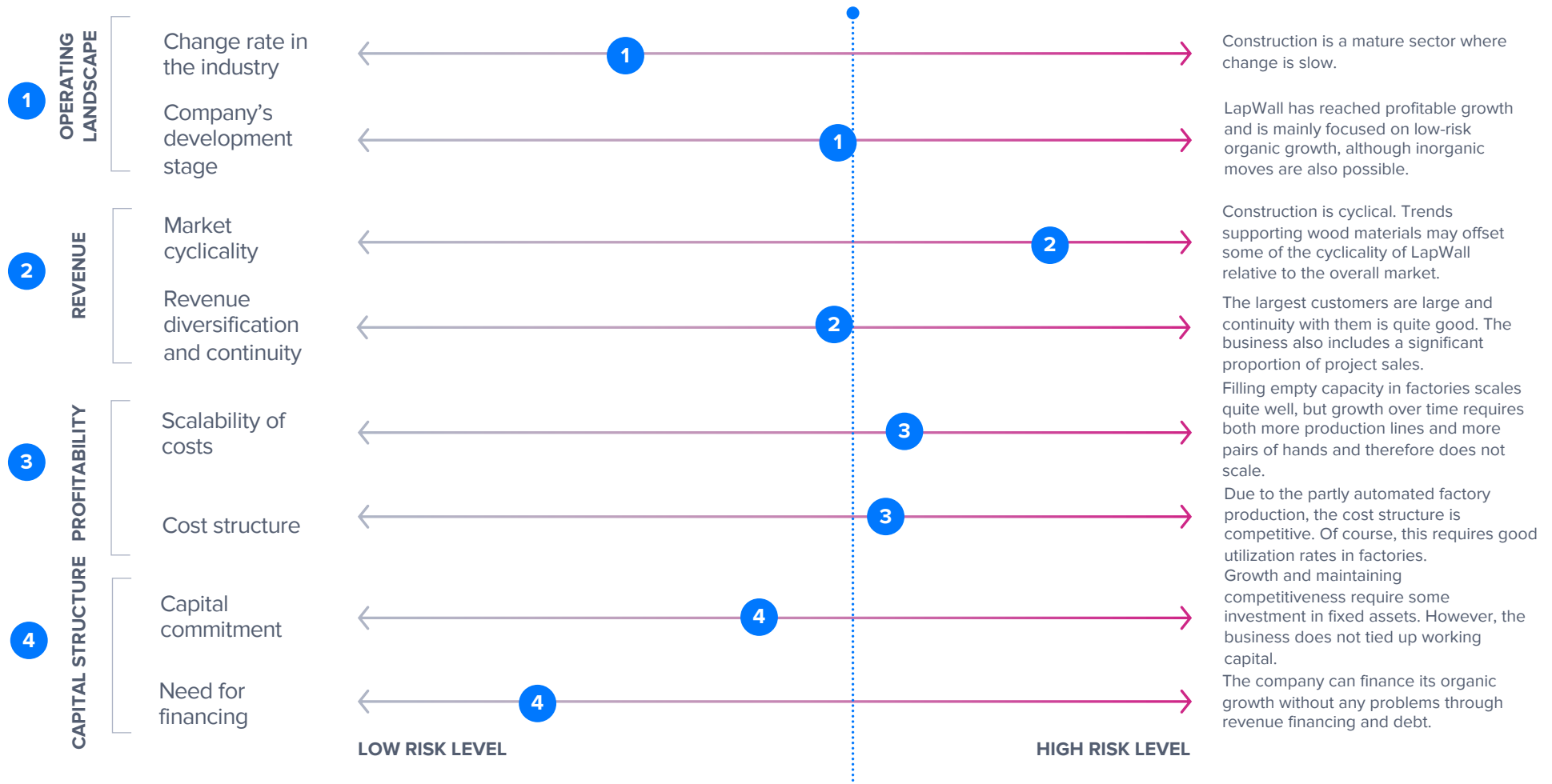
Peer group valuation

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	44	41	10.4	6.9	6.9	4.6	2.1	0.8	12.2	8.3	4.3	4.9	2.4
Steico	354	531	16.6	13.4	8.5	7.4	1.5	1.3	17.8	14.8	2.0	2.0	1.2
EcoUp	15	19			6.3	4.8	0.7	0.5				3.1	0.9
Purmo	287	557	10.0	7.5	6.5	5.4	0.8	0.8	8.5	7.3	5.2	5.7	0.7
Balco	84	106	11.9	8.4	8.0	6.2	0.9	0.8	14.8	9.1	2.8	3.8	1.1
LapWall (Inderes)	46	46	9.8	7.3	7.6	5.7	1.0	0.9	12.1	8.6	4.2	4.9	2.4
Average			12.3	9.7	7.8	6.4	1.3	1.0	14.3	11.2	3.3	3.6	1.6
Median			11.5	9.0	7.7	6.2	1.1	0.8	14.4	10.4	3.5	3.8	1.2
Diff-% to median			-15%	-19%	-2%	-8%	-5%	18%	-16%	-17%	20%	29%	102%

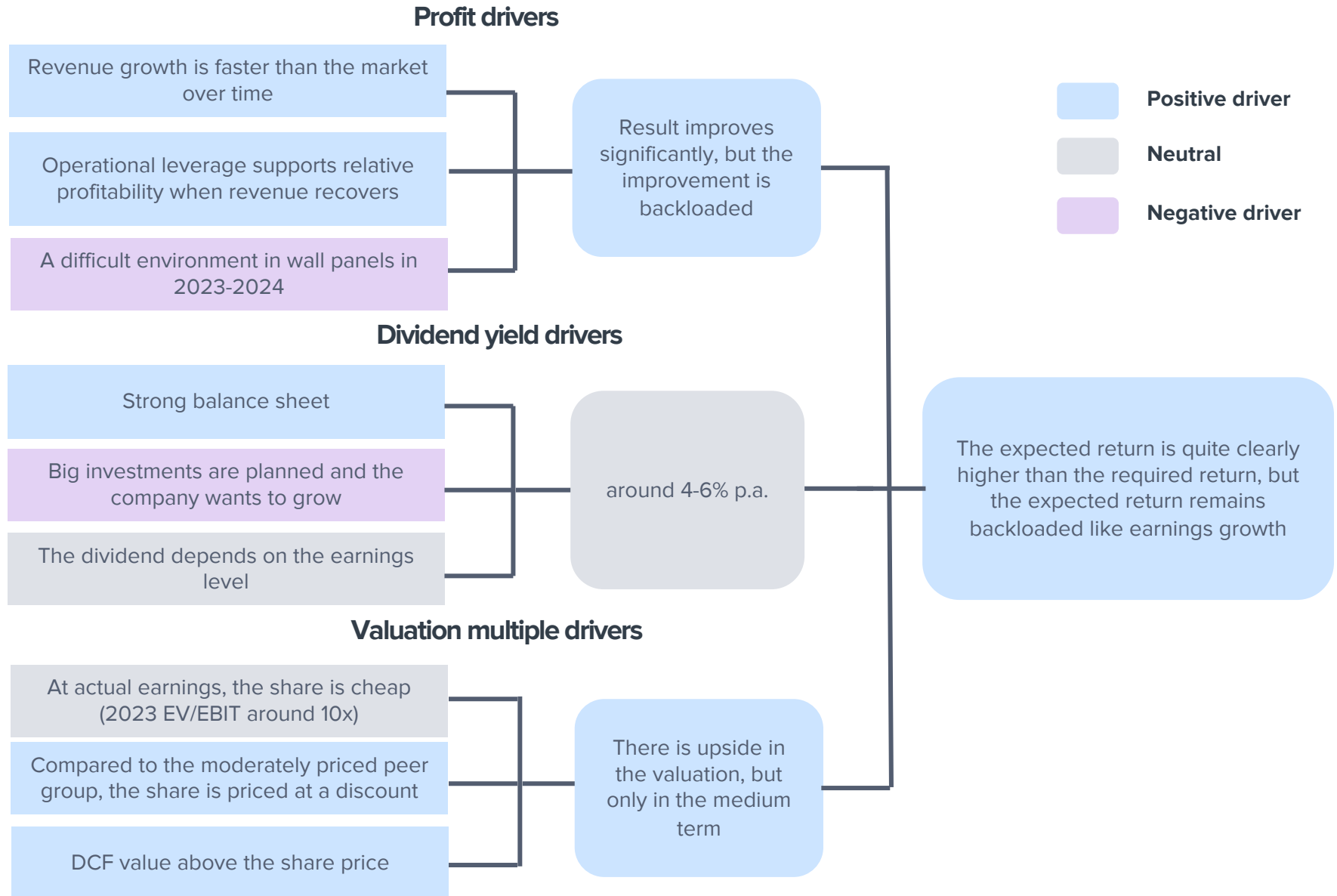
Source: Refinitiv / Inderes

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)



Market value drivers 2024-2026e



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	62.2	71.0
Group	52.5	18.9	23.0	41.9	20.4	24.8	45.2	53.8	62.2	71.0
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	11.0	13.3
Depreciation	-1.8	-0.9	-1.1	-2.0	-1.1	-1.1	-2.3	-2.8	-3.7	-3.8
EBIT (excl. NRI)	8.3	1.9	2.0	3.9	2.0	2.8	4.7	6.9	8.2	10.4
EBIT	7.8	1.7	1.6	3.2	1.5	2.3	3.9	6.0	7.3	9.5
Group	8.3	1.9	2.0	3.9	2.0	2.8	4.7	6.9	8.2	10.4
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	-0.3	-0.3	0.0
PTP	7.0	1.7	1.5	3.2	1.5	2.3	3.9	5.7	7.1	9.5
Taxes	-1.4	-0.3	-0.3	-0.6	-0.4	-0.6	-1.0	-1.3	-1.6	-2.1
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	4.4	5.5	7.4
EPS (adj.)	0.42	0.11	0.11	0.22	0.10	0.15	0.25	0.36	0.43	0.56
EPS (rep.)	0.38	0.09	0.08	0.17	0.07	0.12	0.19	0.29	0.37	0.50
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 %	15.7 %	14.0 %
Adjusted EBIT growth-%	57.9 %	-58.5 %	-45.5 %	-52.7 %	3.0 %	38.2 %	21.1 %	44.5 %	19.5 %	27.1 %
EBITDA-%	18.2 %	13.7 %	11.6 %	12.5 %	13.1 %	14.1 %	13.6 %	16.3 %	17.7 %	18.8 %
Adjusted EBIT-%	15.8 %	10.1 %	8.8 %	9.4 %	9.6 %	11.2 %	10.5 %	12.8 %	13.2 %	14.7 %
Net earnings-%	10.4 %	7.1 %	5.3 %	6.1 %	5.5 %	7.0 %	6.3 %	8.2 %	8.8 %	10.5 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	12.1	15.1	26.2	31.4	29.3
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	21.0	27.1	25.8
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	9.6	10.9	12.3
Inventories	3.2	3.1	3.2	3.2	3.4
Other current assets	2.3	1.7	1.7	1.7	1.7
Receivables	2.7	2.8	2.9	3.8	4.7
Cash and equivalents	7.8	4.4	1.8	2.2	2.5
Balance sheet total	28.2	27.1	35.9	42.3	41.6

Source: Inderes

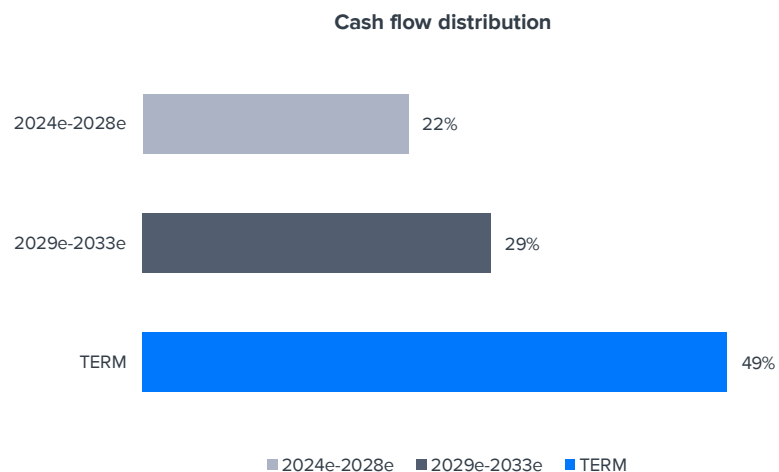
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	15.9	16.8	18.7	21.2	24.4
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	4.8	4.7	5.6	8.1	11.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	10.9	12.0	13.0	13.0	13.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	1.9	0.9	8.0	11.1	7.1
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	2.0	5.1	1.6
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.5	0.5	6.0	6.0	5.5
Current liabilities	10.5	9.4	9.1	10.1	10.1
Interest bearing debt	1.0	0.9	0.7	1.5	0.7
Payables	4.6	5.3	5.2	5.4	6.2
Other current liabilities	4.8	3.2	3.2	3.2	3.2
Balance sheet total	28.2	27.1	35.9	42.3	41.6

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-20.2 %	7.9 %	19.0 %	15.7 %	14.0 %	10.0 %	8.0 %	5.0 %	4.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	7.7 %	8.5 %	11.1 %	11.7 %	13.4 %	13.0 %	12.0 %	11.0 %	10.0 %	9.0 %	9.0 %	9.0 %
EBIT (operating profit)	3.2	3.9	6.0	7.3	9.5	10.1	10.1	9.7	9.2	8.5	8.7	
+ Depreciation	2.0	2.3	2.8	3.7	3.8	3.8	3.5	3.4	3.5	3.5	3.3	
- Paid taxes	-0.6	-1.0	-1.3	-1.6	-2.1	-2.2	-2.2	-2.1	-2.0	-1.8	-1.8	
- Tax, financial expenses	0.0	0.0	-0.1	-0.1	0.0	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	0.1	0.1	0.1	0.1	0.1	
- Change in working capital	-0.4	-0.3	-0.7	-0.3	-0.6	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	
Operating cash flow	4.2	4.9	6.6	9.1	10.6	11.5	11.3	11.0	10.7	10.2	10.2	
+ Change in other long-term liabilities	0.0	5.5	0.0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
- Gross CAPEX	-5.0	-13.5	-8.0	-1.5	-1.5	-1.5	-2.0	-2.5	-3.0	-3.0	-3.7	
Free operating cash flow	-0.8	-3.1	-1.4	7.1	8.6	9.5	8.8	8.0	7.2	6.7	6.1	
+/- Other	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
FCFF	-0.8	-3.1	-1.4	7.6	9.1	10.0	9.3	8.5	7.7	7.2	6.6	81.9
Discounted FCFF		-2.8	-1.1	5.8	6.3	6.3	5.3	4.4	3.6	3.1	2.5	31.7
Sum of FCFF present value		65.0	67.9	69.0	63.2	56.9	50.6	45.3	40.9	37.3	34.3	31.7
Enterprise value DCF		65.0										
- Interest bearing debt		-1.4										
+ Cash and cash equivalents		4.4										
-Minorities		0.0										
-Dividend/capital return		-1.9										
Equity value DCF		66.1										
Equity value DCF per share		4.4										

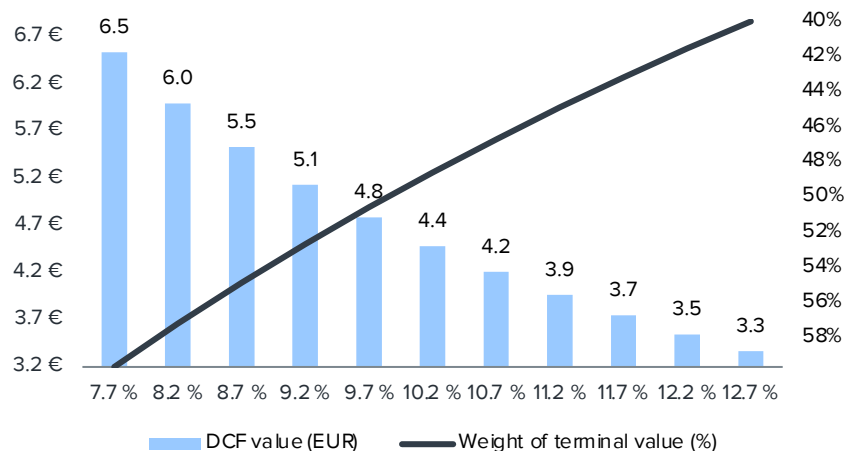
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	5.0 %
Equity Beta	1.60
Market risk premium	4.75%
Liquidity premium	0.75%
Risk free interest rate	2.5 %
Cost of equity	10.9 %
Weighted average cost of capital (WACC)	10.2 %

Source: Inderes

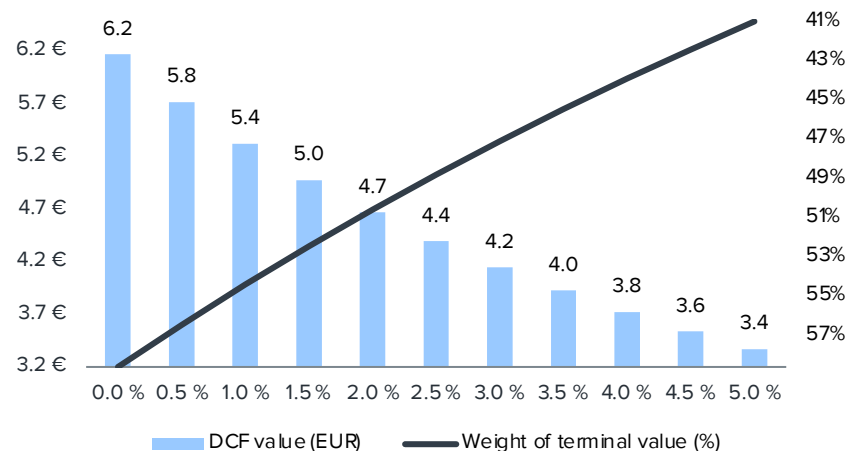


DCF sensitivity calculations and key assumptions in graphs

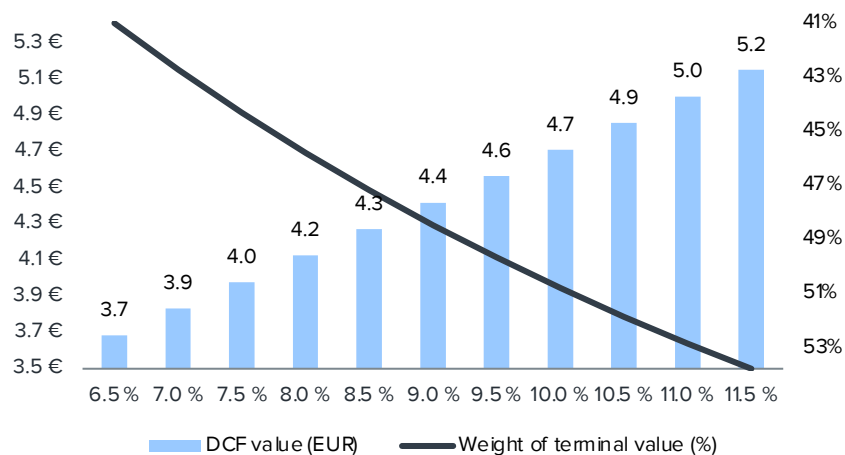
Sensitivity of DCF to changes in the WACC-%



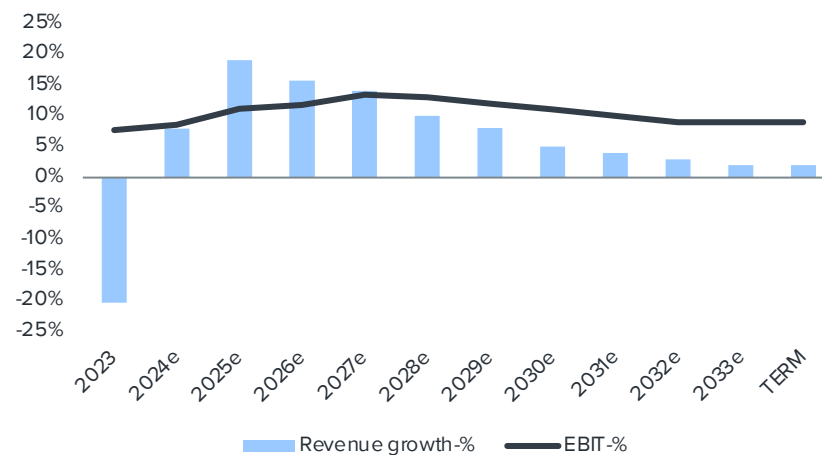
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



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

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	48.3	52.5	41.9	45.2	53.8	EPS (reported)	0.29	0.38	0.17	0.19	0.29
EBITDA	6.6	9.5	5.3	6.1	8.7	EPS (adj.)	0.33	0.42	0.22	0.25	0.36
EBIT	4.8	7.8	3.2	3.9	6.0	OCF / share	0.34	0.66	0.28	0.33	0.45
PTP	4.6	7.0	3.2	3.9	5.7	FCF / share	0.13	0.49	-0.05	-0.21	-0.09
Net Income	3.6	5.5	2.6	2.9	4.4	Book value / share	0.58	1.11	1.12	1.26	1.42
Extraordinary items	-0.5	-0.5	-0.7	-0.9	-0.9	Dividend / share	0.14	0.19	0.13	0.13	0.15
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	19.9	28.2	27.1	35.9	42.3	Revenue growth-%	55%	9%	-20%	8%	19%
Equity capital	7.1	15.9	16.8	18.7	21.2	EBITDA growth-%	61%	45%	-45%	17%	42%
Goodwill	3.0	2.4	5.7	4.8	3.9	EBIT (adj.) growth-%	127%	58%	-53%	21%	45%
Net debt	4.1	-5.5	-3.0	0.9	4.4	EPS (adj.) growth-%	130%	26%	-47%	15%	41%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	13.7 %	18.2 %	12.5 %	13.6 %	16.3 %
EBITDA	6.6	9.5	5.3	6.1	8.7	EBIT (adj.)-%	10.9 %	15.8 %	9.4 %	10.5 %	12.8 %
Change in working capital	-1.5	1.3	-0.4	-0.3	-0.7	EBIT-%	9.8 %	14.8 %	7.7 %	8.5 %	11.1 %
Operating cash flow	4.2	9.3	4.2	4.9	6.6	ROE-%	57.7 %	47.5 %	15.8 %	16.1 %	22.0 %
CAPEX	-2.6	-2.3	-5.0	-13.5	-8.0	ROI-%	39.5 %	49.6 %	18.3 %	20.0 %	24.4 %
Free cash flow	1.6	7.0	-0.8	-3.1	-1.4	Equity ratio	37.6 %	61.1 %	64.2 %	53.8 %	51.6 %
						Gearing	57.0 %	-34.7 %	-18.0 %	5.0 %	21.0 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	0.8	0.9	1.0	1.0	0.9						
EV/EBITDA (adj.)	5.7	4.8	8.2	7.6	5.7						
EV/EBIT (adj.)	7.2	5.5	11.0	9.8	7.3						
P/E (adj.)	8.2	8.6	14.1	12.1	8.6						
P/B	4.7	3.2	2.7	2.4	2.1						
Dividend-%	5.1 %	5.3 %	4.2 %	4.2 %	4.9 %						

Source: Inderes

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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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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 €
3/13/2024	Accumulate	3.40 €	3.06 €



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